

081011

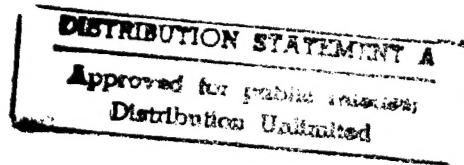
JPRS-CEA-86-010

29 January 1986

China Report

ECONOMIC AFFAIRS

CHINESE ECONOMIC AFFAIRS



FBIS

FOREIGN BROADCAST INFORMATION SERVICE

REPRODUCED BY
NATIONAL TECHNICAL
INFORMATION SERVICE
U.S. DEPARTMENT OF COMMERCE
SPRINGFIELD, VA. 22161

2
172
A08

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

JPRS-CEA-86-010

29 January 1986

CHINA REPORT
ECONOMIC AFFAIRS

CONTENTS

PEOPLE'S REPUBLIC OF CHINA

NATIONAL POLICY AND ISSUES

Shanghai Paper Extracts RENMIN RIBAO Commentary on Reform (WEN HUI BAO, 22 Oct 85)	1
---	---

Yuan Baohua on Economic Irregularities (XINHUA Domestic Service, 14 Dec 85)	4
--	---

PROVINCIAL AFFAIRS

Ways To Revitalize Guangdong Economy Discussed (Lin Ruo; GUANGMING RIBAO, 25 Oct 85)	7
---	---

Guangxi Economic Achievements in 1985 Cited (ZHONGGUO XINWEN SHE, 17 Dec 85)	14
---	----

Jiangxi Governor Addresses Economic Work Meeting (Jiangxi Provincial Service, 17 Dec 85)	16
---	----

Stabilize Policies Toward Township Enterprises in Liaoning (Zhu Weiwei, Bi Yanwu; ZHOGGUO XIANZHENQIYE BAO, 7 Sep 85)	18
--	----

Shandong's Rural, Township Enterprises Developing Steadily (Wang Yuzhang; ZHONGGUO XIANZHENQIYE BAO, 31 Aug 85)	20
---	----

Relaxation of Lending To Shanghai Township Enterprises Urged (Zheng Liangfang; ZHONGGUO XIANGZHENQIYE BAO, 28 Aug 85)	22
--	----

Shanxi Governor Speaks on Economic Situation (Shanxi Provincial Service, 17 Dec 85)	24
--	----

Yunnan Holds Economic Work Conference (Yunnan Provincial Service, 18 Dec 85)	25
Briefs	
Specialized Markets Formed	26
ECONOMIC PLANNING	
Guangdong Vice Governor Speaks at Planning Work Conference (Guangdong Provincial Service, 16 Dec 85)	27
Henan's Yang Xizong on Economic Structural Reform (Henan Provincial Service, 16 Dec 85)	28
Hubei Vice Governor Urges Construction of Former Soviet Areas (Hubei Provincial Service, 18 Dec 85)	30
Xinjiang Holds Meeting on First Quarter Production (Xinjiang Regional Service, 10 Dec 85)	32
Briefs	
Reform of Economic Structure Symposium	33
AGGREGATE ECONOMIC DATA	
Briefs	
Shanxi Township, Town Enterprises	34
Jilin Specialized Households	34
ECONOMIC MANAGEMENT	
Many Hubei Cadres Study Political Economy (Liang Jungui; WEN HUI BAO, 3 Oct 85)	35
Household Responsibility System, Management Modes Discussed (Xu Jingyong; FUJIAN LUNTAN, No 8, 5 Aug 85)	36
Shaanxi Reports on Development of Township Enterprises (Shaanxi Provincial Service, 16 Dec 85)	42
Hainan Island Completes Nine Key Development Projects (ZHONGGUO XINWEN SHE, 17 Dec 85)	44
Shanghai Extends Tax Revenues, Financial Investigation (WEN HUI BAO, 16 Oct 85)	45
Officials' Economic Crimes Made Public in Heilongjiang (Nie Hongjun; HEILONGJIANG RIBAO, 18 Oct 85)	46
Beijing Holds Rally To Sentence 23 Economic Criminals (BEIJING RIBAO, 27 Nov 85)	48

Guangzhou Court Sentences 24 Economic Criminals (ZHONGGUO XINWEN SHE, 18 Dec 85)	49
Shanghai Acts To Curb Price Hike (WEN HUI BAO, 22 Oct 85)	50
Review of, Prospects for Price Reform in Shaanxi (Zhao Jingyan; SHAANXI RIBAO, 9 Oct 85)	52
Hubei Holds Conference on Work Style of Organs (Hubei Provincial Service, 14 Dec 85)	55
Huang Huang Inspects Southern Anhui Counties (Anhui Provincial Service, 13 Dec 85)	57
Changes in Beijing's Urban, Rural Production (Zhou Kejin, Shao Quan; XINHUA Domestic Service, 5 Dec 85)	59
Beijing Meeting Discusses Backwardness of Mountainous Areas (BEIJING RIBAO, 23 Nov 85)	60
Briefs	
Hunan Civil Defense Work	62
Gansu Township, Town Enterprises	62
Jilin Reception, Service Work Forum	62
Meeting on Economic Crimes	63

FINANCE AND BANKING

Foreign Exchange Earnings Increase in Guangdong (ZHONGGUO XINWEN SHE, 17 Dec 85)	64
Opening Limited Free Foreign Exchange Market Suggested (Xie Min; GUANGZHOU YANJIU, No 4, 1985)	65
Bank of China Rules on Foreign Currency Deposits (JINGJI DAOBAO, No 47, 25 Nov 85)	71
Yunnan People's Congress Discusses Audit Work (Yunnan Provincial Service, 13 Dec 85)	74
Characteristics, Trends of China's Financial Reform (Lao Zhang; JINGJI DAOBAO, No 47, 25 Nov 85)	76
Xue Muqiao on Price Rises, Improved Livelihood (Xue Muqiao; RENMIN RIBAO, 16 Dec 85)	81
Briefs	
Nei Monggol Industrial Profits, Taxes	87
Jilin Tax Collection	87
Guangdong Financial, Tax Inspection Work	87
Guangdong Agricultural Loans Increase	87

MINERAL RESOURCES

Briefs		
Xinjiang Mineral Deposits		88

INDUSTRY

Shanghai Fulfils Sixth 5-Year Plan Output Value Target (SHANGHAI GONGYE JINGJI BAO, 10 Oct 85)	89	
Jiangsu Industry Booming, But Certain Cutbacks Urged (Wang Zhisan; XINHUA RIBAO, 12 Sep 85)	94	
China's Electronics Industry Yields High Output Value (Gong Jiau; JINGJI RIBAO, 21 Nov 85)	96	
Development of China's Rare-Earth Industry Discussed (Xu Chongshan; GUOJI SHANGBAO, 30 Sep 85)	97	
Rapid Development of China's Auto Industry Discussed (Liu Yongya; RENMIN RIBAO OVERSEAS EDITION, 15 Nov 85)	99	
China Plans To Improve Automobile Products (Liu Yongya; RENMIN RIBAO OVERSEAS EDITION, 12 Nov 85)	101	
Development of Non-Woven Fabrics Accelerated (Qian Youyu; JINGJI CANKAO, 24 Sep 85)	103	
Development of Plastic, Soft Packaging for Food Discussed (Yu Ming, et al.; SHICHANG, 28 Oct 85)	105	
Briefs		
Top Gold Producers		107

CONSTRUCTION

Yunan Completes Massive Housing Construction Projects (YUNNAN RIBAO, 15 Oct 85)	108
New Huangpu Port Completes Deepwater Transhipment Pier (Li Lin; NANFANG RIBAO, 25 Oct 85)	109
Construction of Dayaoshan Railway Tunnel Discussed (He Shaoying; NANFANG RIBAO, 7 Nov 85)	110

DOMESTIC TRADE

Economic Network Links Central Liaoning Cities (Zhou Baohua; LIAOWANG, No 40, 7 Oct 85)	111
--	-----

FOREIGN TRADE AND INVESTMENT

 Foreign Exchange Control Measures Suggested in Fujian
 (FUJIAN RIBAO, 18 Oct 85) 115

 Number of Fujian's Foreign Trade Partners Increasing
 (Li Xiuwei, Li Fanglin; FUJIAN RIBAO, 23 Oct 85) 118

 Sino-Japanese Cooperation in Offshore Oil Exploitation
 (Xing Fengbing, Zhang Heping; RENMIN RIBAO OVERSEAS
 EDITION, 9 Nov 85) 120

Briefs
 Chinese Customs' Technical Renovation 122

SPECIAL ECONOMIC ZONES

 Shenzhen Suggested as Site of China's 'Silicon Valley'
 (Li Haoqi; SHENZHEN TEQU KEJI, No 2, Apr-Jun 85) 123

 Electronics Industry Prospects in Shenzhen Discussed
 (Wang Zongwu; SHENZHEN DANG DE SHENGHUO, No 7, 15 Jul 85) 125

 Foreign-Oriented Industry Developing in Shenzhen
 (TEQU DANG DE SHENGHUO, 15 Jul 85) 130

LABOR AND WAGES

 Liaoning Trade Union Council Plenum Stresses Healthy Trends
 (Liaoning Provincial Service, 19 Dec 85) 137

 Jiangxi Meeting on Placing Demobilized Soldiers Held
 (Jiangxi Provincial Service, 15 Dec 85) 138

 Zhejiang's Xue Ju Attends Model Workers Meeting
 (Zhejiang Provincial Service, 17 Dec 85) 139

Briefs
 Nei Monggol Urban Employment 140

TRANSPORTATION

Briefs
 Jiangxi Transport Projects 141
 Guangxi Completes New Railway 141
 Zhejiang Transportation Development 141
 Shantou Bulk Container Dock 141
 New Highway Inaugurated 141
 Yunnan Communications, Transport Develops 142
 Jiangsu's Nantong Harbor 142

TAIWAN

Trade Official on Protectionism in U.S. (CNA, 3 Jan 86)	143
Official Meets Hong Kong Union Officials (Walter Cheung; SOUTH CHINA MORNING POST, 1 Jan 86)	144
Taipei Views 'Challenges' Facing Taiwan in 1986 (Taipei International Service, 2 Jan 86)	146
Budget Director Predicts 4 Percent Growth for 1987 (CNA, 24 Dec 85)	148
Central Bank Eases Interest Rates Control (CHINA POST, 3 Jan 86)	149
Experts Warn of Effects of Increasing Trade Surplus (CNA, 21 Dec 85)	150
Foreign Investment in 1985 Hits New High (CNA, 6 Jan 86)	151
Plans To Improve Exports to Europe (CNA, 7 Jan 86)	153
Officials Comment on Talks With Toyota (CNA, 20 Dec 85)	154
'Expert' Views PRC Statement on ADB Membership (CNA, 20 Dec 85)	155
Briefs	
Success Against Counterfeiting	156
Exports Show Growth	156
Trade Problems Minor	157
Tariff Cuts	157
Antinflationary Measures Taken	157
Imports Expanded	158
Stronger Overseas Offices	158
Leading State Enterprises	158
Whole-Plant Exports	159
Imports of U.S. Tobacco, Wine	159

HONG KONG

Fears of Textile 'Trade-Offs' If Jenkins Bill Vetoed (SOUTH CHINA MORNING POST, 9 Dec 85)	160
--	-----

Banker Comment on Effect of Political Changes (XINHUA, 28 Dec 85)	161
UK Businessman on Hong Kong Trade With PRC (XINHUA, 6 Dec 85)	162

NATIONAL POLICY AND ISSUES

SHANGHAI PAPER EXTRACTS RENMIN RIBAO COMMENTARY ON REFORM

Shanghai WEN HUI BAO in Chinese 22 Oct 85 p 1

[Article: "Party Central Committee's Proposal with Regard to Seventh 5-year Plan Makes a Good Summary of Past Year's Reform; Reform Brings Full Vitality to China's Urban and Rural Economy; RENMIN RIBAO Commentary Points Out: Some Negative Phenomena Which Emerged During Reform Can Gradually Be Lessened or Overcome with Advance and Perfection of Reform as Well as Strengthening of Ideological Work"]

[Text] Yesterday RENMIN RIBAO published a commentary entitled "The Irreversible Trend." The commentary said that the party Central Committee's proposal concerning the Seventh 5-year Plan, which was passed at the party's national congress held not long ago, made a good summary of the past year's reform and lit the beacon for guiding the further development of the reform.

"The Resolution of the CPC Central Committee concerning the Reform of Economic System," which was passed at the 3d Plenum of the 12th CPC Central Committee, is an extremely good Marxist document. It summarized dozens of years of practical experiences, broke through the traditional conception that set planned economy against commodity economy and clearly stated that the socialist economy should be a planned commodity economy on the basis of public ownership and thus must consciously observe and apply the law of value. Reviewing the resolution against the past year's practice, we come to the conclusion that the party Central Committee's program and policy have been transformed into the masses' vivid and rich practice and the achievements of the reform are there for all to see.

In accordance with the spirit of the resolution, in the course of the reform we take the strengthening of enterprise vitality as the key link and have brought certain self-determination power to the enterprises through streamlining administration and transferring power to lower authorities. Accordingly, the functions of economic management by state organizations have gradually become rational and managerial measures have made the transition from mainly relying on administrative orders and instructive plans to comprehensive use of economic, administrative, legal and many other measures. Among them, the gradual expansion of the scope of guiding plans marks important progress in reform of the planning system. And especially we have

taken the first step in the very important and very sensitive part of the reform of the whole economic system, i.e., price reform, without incurring major problems. Meanwhile, the production structure of the rural area was further reorganized, domestic transverse economic cooperation developed rapidly, diversified economic forms and management forms developed steadily and foreign economic relations expanded steadily. Great achievements have also been made in lowering the age of cadres and the reform of educational, scientific and technological systems.

All these measures and successes increasingly demonstrate the infinite vitality of socialism. The fundamental improvement in national finance and economy has been basically realized. A new situation in which the national economy is developing continuously, steadily and in a coordinated manner has begun to emerge. The overwhelming majority of households have, more or less, had improvement in their clothing, food and other aspects of daily life. In the past year, efforts by the people of the whole country in accordance with the spirit of the resolution have brought full vitality to our urban and rural economy and opened up a road leading to success.

To sum up, our economic system reform is simply revitalizing internally and opening up externally. Opening up will unavoidably bring in the negative influence of capitalism. In the course of revitalizing the economy, due to a number of subjective and objective reasons, for a certain period of time the reform will also unavoidably provide opportunities for some criminals to take advantage of. Just as Comrade Deng Xiaoping has said, "In the past few years, production indeed went up, but the pernicious influence of capitalism and feudalism has not yet been reduced to the minimum, and some bad things that totally disappeared after the liberation are also coming back to life." This situation has caused some comrades to worry. And this is not without reason. However, these negative phenomena are, after all, minor aspects and can gradually be reduced and overcome with the advance and perfection as well as the strengthening of ideological and political work. Our engaging in the reform exactly conforms to the historical requirement of the development of productive force and tallys with the fundamental interests and wishes of the vast people eager to make progress and thus is an irreversible major trend. We must unswervingly persist in reforming and opening up. The difficulties and problems that emerged can only be solved in essence through further reform. Meanwhile, we should attach importance to strengthening socialist spiritual civilization, persist in giving play to the superiority of Marxism and straighten out the general mood of the party and the society to guarantee the smooth progress of the reform and construction.

When discussing the reform at the party's national congress, Comrade Deng Xiaoping pointed out: "Whatever accords with the fundamental interest of the overwhelming majority of the people and is supported by the vast people, no matter how many more difficulties still is ahead on the road, will certainly succeed." The reform is where the fundamental interest of the people of the whole country lies, and the party Central Committee is determined and will be more cautious and considerate and place more emphasis on substantial results in making policy and taking concrete steps and measures.

So long as we act in the spirit of the resolution of the 3d Plenum of the 12th CPC Central Committee and the proposal of the party's national conference, give the reform priority among all tasks, continue on the road we have opened up in the past year, continuously sum up practical experience and discover and solve problems in a timely manner, we will surely succeed.

12974/12828
CSO: 4006/348

NATIONAL POLICY AND ISSUES

YUAN BAOHUA ON ECONOMIC IRREGULARITIES

OW150901 Beijing XINHUA Domestic Service in Chinese 1302 GMT 14 Dec 85

[Text] Shanghai, 14 Dec (XINHUA)--"We are confident that we can achieve a fundamental change for the better in party style on the economic front." This was stated by Yuan Baohua, vice minister in charge of the State Economic Commission, when addressing the second annual conference of the China Society for Study of Workers Political and Ideological Work, which opened today. His speech was titled: "Energetically intensify the building of a socialist spiritual civilization so as to achieve a fundamental change for the better in party style on the economic front as quickly as possible."

Yuan Baohua said: Opening to the outside world and enlivening the domestic economy is a policy our party will uphold on a long-term basis and this policy is totally correct. However, decadent capitalistic ideas and styles, which are the main source of unhealthy practices, will use this opportunity to worm their way into our country. Struggling against the influx of capitalistic ideas is our long-term task.

Yuan Baohua pointed out: In recent years we have accomplished significant successes in improving our material living standards, and have made some headway in building spiritual civilization, as evident from the noticeable improvement made in party style. We must realize, however, that building of spiritual civilization is still inadequate and unhealthy practices are still quite serious in some localities and units. Yuan Baohua listed the following 10 major unhealthy practices in the economic sphere: 1) Setting up all types of trading companies by party and government officials who use their power in controlling capital, foreign exchange, supplies, and personnel to make huge profits; 2) recklessly raising funds and imposing shares of expenses, thus increasing the burdens of enterprises and reducing the state's revenues; 3) obstructing implementation of the state's mandatory plans by substituting shoddy goods for good products, jacking up prices, and selling at high prices goods produced under state plans as above-quota goods not under state plan control, in disregard of the interests of the state and the people; 4) seeking gains for oneself or for a small group of people by soliciting commissions or other additional charges; 5) recklessly issuing bonuses or allowances, in cash or in kind; 6) squandering public funds for foods and gifts, and seeking special privileges and abusing one's authority as a leading cadre; 7) seriously obstructing reform of the personnel system and completion of major research projects by luring scientists, technicians, and skilled workers with high

salaries and by other improper means under the pretext of promoting rational flow of personnel; 8) infringing on state interests and seeking personal gains by practicing fraud; 9) seriously corrupting social standards by putting money above everything else; 10) disgracing the nation and the people and damaging the country's prestige by worshipping and putting blind faith in things foreign.

Yuan Baohua pointed out: Certain unhealthy practices in the economic sphere have already led to serious criminal offenses punishable by law. The new unhealthy practices have these characteristics: First, they are highly detrimental since they directly cause great harm to the state and the people in the name of reform and enlivening the economy; second, they are highly deceptive since they are carried out in the name of leading organs; and third, they are highly corruptive since they cater to some people by giving them small favors in the name of seeking benefits for the working staff. These are essentially practices of abusing authority for personal gains, seeking selfish gains at public expense, or appropriating public property. The root cause is nothing but money, or putting money or personal interests above everything else.

Yuan Baohua said the following are indicative of fundamental improvement of party style on the economic front: The leading cadres are able to firmly and correctly uphold the party's line, principles and policies, and to uphold and carry forward the party's fine traditions and set an example in abiding by party discipline and state law; the party-masses relationship has improved noticeably with the ceasing of irregularities about which party members and masses have been concerned and have complained much; normal democratic life as well as criticism and self-criticism have been resumed within the party; party members are able to give play to their exemplary vanguard role with heightened party spirit; and enterprises adhere to the socialist course and achieve noticeable improvements in their operations, profits, and social services.

Yuan Baohua continued: To achieve a fundamental change for the better in party style on the economic front as quickly as possible, the following resolute and effective measures should be taken:

We must firmly uphold the four cardinal principles and the strategic principle of simultaneously building the two civilizations. We must increase our party members' and working staff's awareness of communist ideals, patriotism, and revolutionary traditions, and make them bear firmly in mind that our reforms and our policies of opening to the outside world and enlivening the domestic economy are all aimed at building a socialist society with distinctive Chinese characteristics.

Party member-cadres, especially those in leading post, must set an example with their own deeds and take the initiative in changing party style. They must take the initiative in performing their duties honestly; must refuse to use their authority to seek benefits for themselves, or seek jobs and other advantages for their children, relatives, or friends; and must take the lead in struggling against unhealthy practices. A system of responsibilities in improving party style should be set up from the upper to the lower departments, and the leaders of one level should have a firm grip of the performance of the adjoining level. The leading cadres' party life must be regularized; they must voluntarily accept supervision by other party members as well as the masses.

The party members' political consciousness must be heightened by intensifying education on party spirit. At present, one of the important criteria in examining whether or not a party member is strong is to look at his attitude regarding the new unhealthy practices. Education on party spirit should be carried out along with education on communist ideals and discipline, and with education on current events. This education must be relevant, effective, and down to earth.

Problems must be dealt with in a comprehensive manner by strictly enforcing party, administrative, and legal measures. Improving party style is an important matter for the party, and we must, under the leadership of party committees, give full play to the role of discipline inspection, judicial, financial, pricing, auditing, business, taxation, banking, labor, and personnel departments, as well as the role of cultural, journalistic, publishing, and other propaganda departments, and mobilize them to work hard to create a powerful momentum among all party members to improve party style. The most effective way to rectify unhealthy practices is to investigate and deal with the problems each and every day.

We must persist in carrying out reforms, in perfecting our policies, and in building a vigorous and dynamic socialist economic system with distinctive Chinese characteristics. Certain comrades have said that unhealthy practices are mainly the result of certain ambiguous policies. This is only one side of the coin. The many regulations and measures promulgated by the party Central Committee and the State Council reflect clear-cut policies, but certain people have deliberately ignored the orders and prohibitions. This is totally unacceptable.

We must effectively intensify ideological and political work, and take active measures to protect the authority of ideological and political departments. Ideological and political work is the lifeblood of economic and all other work. Political cadre should be treated equally as scientists, technicians, and administrators. It is extremely wrong to view political work departments as third-class offices. Nevertheless, instead of establishing their authority by artificial means, ideological and political departments should establish their authority by giving full scope to their role, improving their efficiency, and forging closer ties with the masses, as well as by winning their trust by so doing. All political work cadre must take the initiative in studying Marxist theory, strive to upgrade their theoretical proficiency, and show a greater sense of adhering to principles in work, a systematic approach, foresight, and creativity.

/8918
CSO: 4006/472

PROVINCIAL AFFAIRS

WAYS TO REVITALIZE GUANGDONG ECONOMY DISCUSSED

Beijing GUANGMING RIBAO in Chinese 25 Oct 85 p 2

[Article by Lin Ruo [2651 5387]: "Revitalize Guangdong's Economy by Relying on Scientific and Technological Progress"]

[Text] [Summary of contents] It is inconceivable for the economy of a place lagging behind in science and technology to be in the forefront. Guangdong is one of the two provinces that took the lead in opening to the world and implementing special policies and flexible measures. The central authorities have not only asked Guangdong to accelerate the pace of its own economic development but also play the role of a "window opening on all directions" and the "hub of a folding fan" in the nationwide four modernizations drive. To this end, the central link is to import advanced technology, equipment and management expertise from abroad and digest, absorb and innovate them before putting them to use in the hinterland; in the meantime, we must see to it that the raw materials and primary products from the hinterland have a place in the international market after they are processed with new technology and new equipment to increase their value. It is of special and vital significance to Guangdong that scientific and technological work is vigorously enhanced and technological progress promoted.

At present, it is imperative to accelerate the restructuring of the scientific and technological system and energetically develop integrated entities for scientific research and production; it is essential to open up the technology market so as to combine scientific and technological work with economic construction more effectively. In the meantime, efforts should also be made to import technology and digest and absorb it more quickly by taking advantage of the fine situation of opening to the outside world in Guangdong in order to build up a high-quality scientific and technological contingent. [End of "Summary of contents"]

Vigorously strengthening scientific and technological work and promoting technological progress is of special and urgent significance to Guangdong. First of all, this is an inherent demand of the on-going reform of the economic system. As the urban and rural economy is being invigorated in the course of reform following the opening, competition in the market has become more fierce than ever. Now, the more than 500,000 medium and small enterprises,

collectively owned enterprises and rural and small town enterprises as well as numerous specialized households and integrated entities in the countryside are urgently aspiring to develop new products by using new technology and new processes, produce quality name-brand products, reduce consumption and cost and raise economic results so as to enhance their position in competition. As the restructuring of the economic system develops further, large and medium state enterprises are bound to rely on science and technology even more urgently. In addition to having a scientific management system, all units engaged in production must also back it up by keeping up the use of new technology before they can bring out the best in each other like a tiger that has grown wings. On the Other hand, ignoring technological progress amounts to having "anemia" in the human body which will make living difficult and obstruct in-depth progress of the reform. Second, for Guangdong to double its gross output value of industrial and agricultural production, priority must be given to developing science and technology. Key construction must be concentrated on in order to build a cluster of rising industries with high technology and characteristics and also to update and renovate existing enterprises. These are two important ways to accelerate economic development requiring advanced science and technology to lead the way. At the moment, the level of technology and equipment in our province in general is in no manner comparable with the advanced level overseas, there is a tremendous gap even comparing with Shanghai and other advanced provinces and municipalities. It is inconceivable to expect the economy of a place lagging behind in science and technology to come to the forefront. The developing situation calls on us to catch up so as to make a breakthrough in scientific and technological progress. Foshan City has doubled its gross industrial and agricultural output value in the recent 4 years, showing a 1.23-fold increase in total industrial output value in 5 years, of which the output value realized by importing technology and technical transformation alone accounted for more than 33 percent. This amply shows that in order for our province to double total output value, we must improve results and speed by relying on science and technology. Third, Guangdong is one of the two provinces that took the lead in opening up and implementing special policies and flexible measures. Of the 22 SEZ's, open cities and open regions across the country, Guangdong has 7. The central authorities have not only called on Guangdong to accelerate the pace of its own economic development--it has also asked us to play the role of a "window opening on all directions" and the "hub of a folding fan" in the nationwide four modernizations drive. To this end, the central link is to import advanced technology, equipment and management expertise from abroad and digest, absorb and update them before putting them to use in the hinterland; in the meantime, efforts must be made to get the raw materials and primary products from the hinterland into the international market after processing them with new technology and equipment to increase their value. All this requires the scientific and technological work in our province to keep abreast and play its crucial role.

At present, as we are facing the rigorous challenge of the world's new technological revolution, the CPC Central Committee and the State Council has called on us to seize the opportunity and meet the challenge. Guangdong is situated along the coast bordering Hong Kong and Macao with multitudinous overseas Chinese. Since Guangdong is more exposed to the outside world and has accumulated certain experience in economic and technological exchange with foreign countries, it is an a superior position to comprehend and absorb more quickly

the new science and technology from abroad. As a result, it faces a more direct opportunity to meet the challenge and also carries a heavy responsibility. We must be constantly concerned with, follow the tracks of and study the trend of the world's new technological revolution, energetically absorb its achievements and make contributions to the whole country by accelerating economic, scientific and technological development in our province. If we let a golden opportunity slip by and do nothing, we will be making a big historic blunder.

To stimulate scientific and technological progress and revitalize Guangdong's economy, we must work hard in a practical manner in the following major areas:

I. Accelerate the Reform of Scientific and Technological System, Integrating Scientific and Technological Work More Effectively with Economic Construction

According to the guidelines of the CPC Central Committee's decision on restructuring the scientific and technological system, the focus of restructuring the scientific and technological system is to solve the lack of coordination between scientific and technological pursuit and economic development so as to make scientific and technological work adapt itself to the socialist planned commodity economy to serve the four modernization program even better. The reform in our province must put stress on effective commercializing the technological results and opening up the technology markets; on reforming step by step the system of allocating funds and on classified management of funds for scientific research; on readjusting the organizational structure of the scientific and technological system, strengthening the horizontal contacts between the scientific and technological research units and the enterprises and energetically developing integrated entities combining scientific research with production; and on restructuring the scientific and technological personnel management system. These are the four important links.

A technology market is an intermediate link between the circulation and exchange of technological results and a bridge linking science and technology with production. Opening up the technology market is of decisive significance to the restructuring of the scientific and technological system. For this reason, we must open up the technology market as a breakthrough point so as to deepen the reform as a whole. The technology market in our province came into being around 1978 and has become quite active today in the Zhu Jiang delta region with Guangzhou as the center. It has developed into a multichannel, multiscience, multilevel and multiform technology market operation. In May and June this year alone, 8 technological fairs, an important form of the technology market, were held in the province at which nearly 7,000 items of technological achievements were displayed and 162 million yuan of business was concluded. The rising information and technological consultation network and social service trades providing know-how are developing continually. In Guangzhou City proper alone there are 316 institutions of these categories and more than 31,200 full-time and part-time personnel offering consultation service. However, judging from the situation throughout the province, both technology markets and technological trade still remain in a state of inertia and are pretty much scattered, they are not evenly developed nor are they clearly understood. To get them on the right track and make them flourish, we must destroy the old and establish the new, recognize the value of technological commodities and scientific and technological labor, fully recognize the

technology market as an important component of the socialist unified market and overcome the idea of looking down on managing technological achievements as a business. In specific work, it is imperative to strengthen the macro-economic planned guidance and organized management of this work, thus provinces, municipalities (prefectures) and counties should set up as soon as possible coordination and guidance organizations with the scientific and technological commissions as the main body. It is necessary to step up the study of theoretical issues about technological commodities, policies and legislative work dealing with the technology market and draw up corresponding management measures and economic policies so as to protect the legitimate rights and interests of buyers, sellers and middlemen and ensure the normal progress of technological trade. It is essential to set up a multifunctional operational network throughout the province to link up information and streamline the channels of circulation. Various departments should give the green light to developing technology markets. By doing this work well and also by restructuring the fund allocation system step by step, doing away with the practice of eating from the same big pot in scientific work, readjusting and reorganizing institutions in a coordinated manner and reforming the personnel system, we will be able to combine scientific research closely with production and streamline the continual flow of advanced, suitable and economical technological commodities from scientific research units to production units and quickly transform them into productive forces in energetically promoting the national economic development.

II. Encouraging Combined Operation of Scientific Research Organizations and Production Units and Strengthening Enterprise Potential for Technological Development

Enterprises shoulder the primary burden for state financial revenue, they are the leading force in developing society's productive forces and the keys to economic and technological progress. Economic revitalization will be futile if the enterprises are not invigorated. Moreover, the vitality and competitiveness of enterprises are to the largest extent determined by the ability to absorb technological development. In some of the developed countries in the world, 90 percent of the scientific research personnel is concentrated in enterprises, only 10 percent is with independent research organization. Of the 310,000 scientific personnel who graduated from Japanese universities and worked for more than 2 years, 99 percent is directly or indirectly engaged in technological development. By comparison, the forces in this area in our province are far too weak. Of the more than 24,400 enterprises under the system of the provincial economic commission last year, there were only 267 regular factory-established scientific research organizations; engineering and technical personnel accounted for only 3.5 percent of the total number of workers and staff members; in professions and trades under the two light industries, the number was less than 1 percent; in rural and small town enterprises, the number accounted for 6 percent. There are two ways to change the situation of having weak forces for technological development in enterprises: One way is to fully utilize the scientific and technological forces in society. We should encourage various departments under the academy of sciences, institutes for higher learning and independent scientific research organizations at all levels to strengthen contacts and cooperation with enterprises in many ways in accordance with the principle of voluntary participation and mutual benefit, such as by setting up integrated entities combining

scientific research with production, merging research organizations with enterprises into integrated companies combining scientific research, designing, production and service into one, or becoming technological development departments of enterprises. We must allow scientific and technological personnel to circulate in enterprises in a rational manner. Another way is to establish and perfect the technological development organizations of enterprises and enhance the vitality, pressure and the actual strength of enterprises, especially the large and medium enterprises, for technological development and absorption. To this end, we should adopt a series of policies and measures such as restructuring the engineering and technological management system of large and medium enterprises and delegating the power of examination and approval to the lower level; implementing preferential policies in favor of technological development projects; setting up different kinds of awards for individual technological invention and creation and giving generous awards to meritorious personnel; launching popular technological innovation activities; including technological progress as an important feature in evaluating enterprises; and increasing investment in technological development through different ways and means.

The technological development of enterprises must be closely integrated with importing advanced technology overseas to serve technological transformation in traditional production at a faster pace. Although 60 percent of the enterprises in our province have carried out technological transformation varying in degrees in recent years, the appraisal should not be too high. The transformation of enterprises from now on should be carried out toward the direction of specialization and seriation in production with emphasis on planned transformation of departments and enterprises and on raising the ability to operate in a comprehensive process. We should pay attention to selectively adopting the most advanced technology and equipment in the world and at the same time think highly of the development, use and popularization of "inconspicuous" but suitable technology. In this way we can get twice the result with half the effort.

III. Fully Exploit Guangdong's Dominant Position in Opening to the World and Accelerating Import and Assimilation of Technology

As new technology in the world advances by leaps and bounds, technology has become more commercialized and information has become a resource, the focus of international exchange is gradually shifting from commodities and resources in general to technology, information and qualified personnel. The world's technology trade, which amounted to just more than \$3 billion in 1965 has sharply increased to \$40 to 50 billion this year. Our country's opening to the world and expansion of economic and technological exchange with foreign countries are very rich in substance, but the central link remains the import of advanced technology. This is a shortcut making possible for us to take off at a higher starting point and shorten the time to catch up with and overtake the developed countries.

Guangdong has made tremendous strides in importing technology. For more than 5 years, technology and equipment valued at more than \$1.6 billion in foreign exchange have been imported, equipment of various types totaled more than 500,000 units (sets). Foshan City has been more efficient in importing work. Prior to 1979, more than 70 percent of the equipment there was old equipment

of the 1930's to 1960's era, but now 53 percent of the equipment is of the 1970's and 1980's advanced domestic level and 11 percent has reached the early 1980's level of the developed countries. Importation of technology and equipment has put our province's chemical fiber textile industry at the top in the country and elevated the electronic industry from eighth place in 1981 in terms of output value to third place nationally. A group of advanced units doing well in importing technology has appeared throughout the province such as the Foshan No 1 radio factory, the Shiwan Lihua decorative bricks factory, the Heshan woolen textile factory and the Xinhui long fiber polyester factory. However, numerous problems also cropped up in this work, notably, management cannot keep up, the strategic focal point is not stressed, the proportion of productive projects with imported technology and equipment is low, fewer advanced technologies are applied, duplicate items and imported, results are poor, and digestion, absorption, development and adaptation of imported technology have not been organized in a planned manner. In order to push importation work in our province toward a new stage, we must concentrate our efforts in two areas: (1) We must continue to expand the scale of import and accelerate the pace of import. Owing to the restriction of the foreign exchange balance, we must pay particular attention to strengthening macro-economic planning and management and raising the starting point and effectiveness of importation. We must import selectively and systematically for the technology-intensive, productive and foreign exchange-earning projects as well as to renovate old enterprise projects. For these projects, we should import more key equipment and less equipment in complete sets; import more technology patents, technological secrets of success and software and import less hardware. We should resolutely avoid aimless and duplicate imports. (2) We should digest and absorb the imported technology more quickly and adapt it for our own use. In view of the fact that this work has still not been given much attention and that digestion and innovation projects in places where the import of technology is progressing faster at present amount to less than 1 percent, this has to be emphasized in particular. It must be specified that our objective of importing technology is not purely for enhancing the productive capability during the importing period or accelerating the rate of economic growth during a period, more importantly it is aimed at assimilating foreign technology, raising our scientific and technological standards and strengthening our own capability of independently developing new products and new equipment thereby accumulating strength and laying the foundation for long-term economic development. Whether we are proceeding from developing the effectiveness at present or considering economic growth in the future, we must concentrate our work on digesting, absorbing and adapting the imported technology. Scientific and technological management departments at all levels should look upon this work as an important task and should actively participate in verification and feasibility studies of importing technology and ensure the quality of imported technology and equipment. They must firmly make absorption, digestion and innovation their routine and do it well. At present, Guangdong and Foshan have decided to set up leading organs of direct absorption and digestion of technology. These organs are formed by scientific and technological commissions in conjunction with other departments concerned as the organizer and leader to coordinate work in this area. So long as party committees and governments at all levels strengthen leadership and various departments concerned work in concerted efforts, a new situation in this line of work can certainly be brought about.

IV. Building a Mammoth High-Quality Scientific Research Contingent and Giving Full Play to Scientific Research Personnel in the Four Modernizations Drive

The key to developing scientific and technological undertakings and giving impetus to economic construction hinges in the final analysis on the issue of qualified personnel: this issue is particularly striking in Guangdong. 1. The number of scientific and technological personnel is small. There are only 250,000 specialized personnel in the field of natural science in the entire province, averaging 40.5 persons per 10,000; they are unevenly distributed, and their educational levels vary widely and are not suited to their tasks. There is a critical shortage of specialized personnel in the fields of agriculture, light industry, food, building construction, arts and crafts and courses in new technological revolution. 2. The existing scientific and technological personnel have not yet been put into full play. We should take note of this more seriously and solve it by adopting practical measures. Basically speaking, in solving the personnel issue, we naturally have to invest money in intellectual development and do our utmost to train up various types of qualified personnel in the quickest way through different channels and at different levels, also we have to import much needed personnel from abroad in a planned manner and win over scientific and technological experts from abroad to engage in short-term work in our province. However, more realistic and more urgent at present is that the enthusiasm of the existing scientific and technological personnel must be fully aroused by implementing the policy toward intellectuals and restructuring the personnel system. We must do away with empty talk and help scientific and technological personnel in a practical manner. We must step by step solve problems in work as well as in livelihood involving books and materials, equipment, housing and welfare, implement the principle of more pay for more work, make good the awards system and protect the legitimate benefits earned by scientific research personnel from sparetime labor. We must promote a group of qualified young and middle-aged scientific and technological personnel to leading positions at all levels and place them in key positions in scientific and technological work. We must do away with the system of monopolizing qualified personnel by departments and regions. We must make sure that qualified personnel are circulated in a rational manner and support the "weekend engineers" activities. We must change the state of affairs of overstaffing and wasting qualified personnel. Party committees and governments at all levels and various departments must all attach importance to the role of scientific and technological experts in making macroeconomic policy decisions.

12662/9312
CSO: 4006/207

PROVINCIAL AFFAIRS

GUANGXI ECONOMIC ACHIEVEMENTS IN 1985 CITED

HK190443 Beijing ZHONGGUO XINWEN SHE in Chinese 1423 GMT 17 Dec 85

[Text] Nanning, 17 Dec (ZHONGGUO XINWEN SHE)--Wei Chunshu, chairman of Guangxi Zhuang Autonomous Region, said: "Guangxi has taken a fairly big step forward in economic construction."

At a plenary meeting of the Guangxi Autonomous Regional People's Government held this morning, Wei Chunshu delivered a long report on Guangxi's economic situation this year and the work plans for next year. He listed the successes achieved in industrial and agricultural production and in finance and trade in 1985:

--Substantial development has been attained in the rural commodity economy. Although hit on numerous occasions this year by natural disasters such as floods, droughts, and windstorms, with the exception of grain, the region has registered increases in other industrial crops and in forestry, animal husbandry, sideline occupations, and fisheries. The gross value of agricultural production has increased by 3.5 percent this year over last year and the output value of town and township enterprises by 45 percent.

--The economic results of enterprises have markedly improved. The industry has maintained the momentum of sustained, steady, and coordinated development since the second half of last year. Its total output value has increased by 18 percent this year over last year, approaching the average national level for the first time in many years and attaining the simultaneous development of output value, profits and taxes, and revenue.

--Great headway has been made in capital construction and key projects and the investment plan is expected to be overfulfilled at the end of this year. Of the seven capital construction projects scheduled to be commissioned this year, the Liuzhou Urea Workshop, the No 4 generating set of the Dahua Hydroelectric Power Station, and four others have been completed and commissioned.

--A situation marked by slow progress in [word indistinct] financial revenue over the years has been altered. The revenue has increased by 37.3 percent, topping all Guangxi's previous records.

--Fairly great successes have also been achieved in foreign trade and the use of foreign capital. We have signed contracts with foreign and Hong Kong firms, amounting to a total of more than \$220 million. This has exceeded the total amount in the previous 6 years. The foreign exchange earnings through exports have increased by 14 percent this year over last year.

--The urban and rural markets are flourishing and the people's living standard has improved to some extent. Compared with last year, the salaries of the workers and staff members have increased by more than 18 percent, the average income of the peasants by about 12 percent, and the total volume of retail sales of social commodities by 24 percent.

Wei Chunshu said: To date, most economic targets laid down in Guangxi's Sixth 5-Year Plan have been fulfilled and some have been overfulfilled. Compared with 1980, Guangxi's GNP has increased by 50 percent this year and its national income by 45 percent.

In light of Guangxi's weak economic basis, Wei Chunshu said that great efforts should be made to maintain a proper economic growth rate slightly higher than the national level in 1986. After analyzing the various favorable conditions, he said that so long as we act according to our capability and do everything in our power, we shall be able to achieve this target.

/8918
CSO: 4006/472

PROVINCIAL AFFAIRS

JIANGXI GOVERNOR ADDRESSES ECONOMIC WORK MEETING

OW180035 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 17 Dec 85

[Excerpts] The Provincial Economic Work meeting opened in Nanchang today. On the basis of summing up this year's economic work, the meeting analyzed the economic situation in the coming year, reached a common understanding, determined policy, tasks, and measures for the year's economic work, and made initial preparations for the annual economic and social development plan. A total of more than 400 leading comrades of the Provincial Party Committee, the Provincial Advisory Commission and the provincial government; commissioners of all prefectures, cities and counties; and mayors, county heads, and responsible persons of all departments of the provincial government and offices of the provincial government in other provinces and cities attended the meeting today.

Provincial Governor Ni Xiance made an important speech.

He first spoke about the economic situation facing our province in 1986. Ni Xiance said: Jiangxi's situation has been very good. The province's total industrial and agricultural output value, on the basis of last year's 13.3 percent increase, again increased by big margins this year.

Ni Xiance said: To choose the correct orientation for economic development and guarantee a sustained, stable, and coordinated development of Jiangxi's economy, we must reach a common understanding on four questions. First, to develop Jiangxi's economy a little faster than the national average, we must rely mainly on vigorous development of the rural economy. Jiangxi has abundant surface resources, and there is plenty of labor in the rural areas. We have a good foundation and conditions for the development of the rural economy. In addition, more than a half of Jiangxi's rural zone is old liberated area. Therefore, development of the rural economy is closely integrated with construction in old liberated areas. It is important in developing the rural economy to speed up construction in the old liberated area. Developing the rural economy is a correct approach to accelerating Jiangxi's economic development. All leading cadres from the provincial to the township level must attach great importance to developing rural economy.

Second, to develop industrial production, we must extend productivity. To expand this production, we must pay attention to tapping the potential of existing enterprises. Although obsolete equipment and backward techniques are

important reasons why Jiangxi's production is poor and its economic results are low, the most important current issue is poor administration and management. Leading cadres at all levels and comrades engaged in economic work must overcome the old idea that production on an extended scale means asking for funds, materials, and investment from the state. Instead, they must work hard to raise the enterprises' technological level and strengthen management.

Third, while we are promoting production, we must also pay great attention to the question of circulation and marketing. A prominent question in Jiangxi's economic work today is poor circulation and market supplies. To speed up circulation, guarantee adequate market supplies, and stabilize commodity prices is a very arduous task. Market supplies and commodity prices are the concern of all households, and comprehensively reflect our economic situation. If we cannot solve this question properly, not only will our economic life be in chaos, but also our political stability will be affected.

Fourth, to make an overall arrangement for Jiangxi's economic development, we must correctly handle the relationship between long-term and short-term development. During the Seventh 5-Year Plan period, it is necessary to speed up construction in the northern area, and bring Jiujiang Port's decisive role into full play, while opening the whole province to the outside world. For short-term development, it is necessary to bring into full play the central area, particularly the role of the economic belt along the Zhejiang-Jiangxi Railway, and develop the southern area.

Ni Xianc pointed out: The general task of Jiangxi's economic work in 1986 is to uphold overall reforms, boldly implement the policy of invigorating the economy and opening to the outside world, seriously strengthen overall management, vigorously develop the rural economy, speed up construction in old liberated areas, improve the quality of enterprises, develop education in science and technology, and continue improving the people's living standards.

Ni Xianc emphatically pointed out: To reach this goal, we must concentrate on 10 aspects. First, speed up readjustment of the structure of rural industry. Second, firmly grasp construction in old liberated areas. Third, conscientiously grasp production of consumer goods. Fourth, amass necessary material and financial resources to guarantee construction of key projects. Fifth, make great efforts to improve the quality of enterprises. Sixth, pay great attention to the development of tertiary industry. Seventh, maintain adequate market supplies both in cities and in the countryside to basically stabilize commodity prices. Eighth, do financial and monetary work well. Ninth, open to the outside world still more boldly. Tenth, grasp development of science, education, and other social undertakings.

Ni Xianc finally said: In the first year of the Seventh 5-Year Plan, we must, under the provincial party committee's direct leadership, actively plunge into the plan's great tasks by developing the spirit of reform, blazing new trails, and marching forward to make more contributions for the development of Jiangxi's economy.

/8918
CSO: 4006/471

PROVINCIAL AFFAIRS

STABILIZE POLICIES TOWARD TOWNSHIP ENTERPRISES IN LIAONING

Beijing ZHOGGUO XIANZHENQIYE BAO in Chinese 7 Sep 85 p 1

[Article by Zhu Weiwei [4281 5633 5633] and Bi Yanwu [5643 1693 2976]: "Zhu Jiazen, Provincial CPC Standing Committee Member and Vice Governor of Liaoning Province, says: Policy Toward Rural and Township Enterprises Must Be Stabilized"]

[Text] In Gaixian County Liaoning Province, an on-the-spot meeting was held 20 August to exchange experiences on rural and township enterprises. Zhu Jiazen [4281 0159 3914], member of the provincial CPC standing committee and vice governor of Liaoning Province, spoke at the meeting on the present situation of rural and township enterprises.

Zhu Jiazen said, Since the party committees at different levels and the government have both emphasized developing rural and township enterprises and have formulated appropriate measures, an excellent situation for actively expanding rural and township enterprises had arisen in Liaoning Province. The gross income last year for all of Liaoning's rural and township enterprises was 8.96 billion yuan, an increase of 57.8 percent. The gross income the first half of this year is 5.19 billion yuan, fulfilling 54.6 percent of the annual plan. At present the rural and township enterprises are faced with several new problems and difficulties, which should arouse the attention of all those departments concerned. The lack of talent and low level of management in rural and township enterprises, and lack of funds in particular, have already become conspicuous problems. Since the State Council's call for greater macroeconomic control, some comrades mistakenly, believed that the principle and policies towards the development of rural and township enterprises had changed and were not certain about their development. Moreover, there arose increased criticism and calls for placing restrictions on these enterprises on the part of comrades in some departments, to the point that doubts have begun to arise concerning the provincial CPC committee's policy towards the rural and township enterprises. If these problems are not solved it could hinder the continued and steady development of rural and township enterprises.

Zhu Jiazen pointed out that the policy towards the rural and township enterprises must be stabilized. The relevant principles and policies of the CPC Central Committee and the provincial CPC committee must be firmly carried out. According to the provisions of the documents of the CPC Central Committee and provincial CPC committee, we should continue to support rural and township

enterprises in the areas of business management, industrial and commercial management, tax revenues credit and other areas. At the same time we must strengthen leadership and assure their steady and healthy development. At the same time while continuing their development we ought to pay attention to intensive reproduction, strengthen management and administration, advance science and technology, develop talent, transform technology and develop new products, and continue to improve the enterprises' economic results. We must correct the tendency to slight management in favor of production and to slight results in favor of speed. The rural and township enterprises must improve their ability to develop on their own.

Zhu Jiazhen also said we must make full use of Liaoning's strengths in having many large and medium-sized cities, large and medium-scale enterprises, many institutions of higher learning, units of scientific research and technical personnel. We must continue to do a good job of economic and technical integration and cooperation between town and country, developing the rural and township enterprises and improving urban enterprises.

13103/7051
CSO: 4006/6

PROVINCIAL AFFAIRS

SHANDONG'S RURAL, TOWNSHIP ENTERPRISES DEVELOPING STEADILY

Beijing ZHONGGUO XIANZHENQIYE BAO in Chinese 31 Aug 85 p 1

[Article by Wang Yuzhang [3769 5940 4545] "Shandong Rural and Township Enterprises Developing in a Sustained, Stable, and Coordinated Manner; They Hold a Significant Position in the Provincial Economy Through Submitting to Macroeconomic Control While Stimulating Microeconomic Activity"]

[Text] The principle of subordinating the rural and township enterprises of Shandong Province to macroeconomic control has enabled stable and coordinated development. Comparing the first half of this year to the same period last year, Shandong's village and township enterprises increased by more than 6700, personnel increased by more than 140,000, profits increased 54.3 percent and taxes increased 43.1 percent. The value of industrial output of the province's rural and township enterprises hit 3,005,000,000 yuan, an increase of 50.7 percent. Sales income hit 2,034,000,000 yuan, an increase of 53.2 percent. Profits were 281 million yuan, an increase of 38.9 percent. During the first half of this year, the value of sales income, output, taxes and profits have all enjoyed synchronous growth.

In the first half of this year in submitting to state policy concerning macroeconomic control and macroeconomic invigoration, the attitudes of the leaders at all levels in the rural and township enterprises have been firm, and the measures vigorous. Based on investigative research, we have distinguished different circumstances and carried out detailed instructions for the newly started and half-finished rural and township enterprises of this year. Based on a concrete analysis of the 31,000 newly started projects in the province, various areas adopted either "stoppage, holding back, slowdown, conversion, or continuity." Five percent, or 1,550, projects which belong to the category of blind development will be discontinued. In 20,500 projects (65 percent) where the direction of development is correct and certain conditions have been met, but where the number of new stores and shops is too high and the pace of development has exceeded the ability of the local area to support them, some will be reduced in scope, some temporarily slowed down, and others will be converted to doing something else. As for the 9,000 projects (30 percent) where the direction of development is correct and the raw materials are guaranteed, where investment is small but returns promise to be rapid, and moreover where upon verification the social and economic results prove to be good, we adopt measures that firmly guarantee those projects. After raising funds from all sources and overcoming

the problems of tight credit, they will then as quickly as possible become a new productive force, and bring about economic growth.

Over the course of the last few years' development, the rural and township enterprises in Shandong Province have already come to occupy an important place in the overall national economy. In 1984, the gross income of the rural and township enterprises throughout Shandong reached 17.35 billion yuan, or 37.1 percent of the gross income of the rural economy for the entire province during the same period, exceeding by 1.83 billion yuan the rural income for 1981 of 15.52 billion yuan.

The restructuring of the urban economic system brings with it new opportunities for the rural and township enterprises throughout the province. Already over one-third of the rural and township enterprises, state enterprises, universities and colleges and departments of scientific research have established ties and won initial successes in "shortening, stabilizing, and speeding up." This year in Jinan there are over 341 projects of economic and technological cooperation in rural and urban industry and more than 100 have already begun operations. In the first half of this year the real growth has measured more than 25 million yuan. Processing industries utilizing agricultural by-products as raw materials have grown rapidly, realizing an 84.5-percent increase in output value in the first half of this year, compared with the same period last year. Income from the construction industry, commerce, and service occupations all doubled over the same period last year.

13103/7051
CSO: 4006/6

PROVINCIAL AFFAIRS

RELAXATION OF LENDING TO SHANGHAI TOWNSHIP ENTERPRISES URGED

Beijing ZHONGGUO XIANGZHENQIYE BAO in Chinese 28 Aug 85 p 3

[Article by Zheng Liangfang [6774 5328 5364], deputy director of the Research Department of the Agricultural Bank of China: "Credit to Shanghai's Rural and Township Enterprises Should Be Relaxed"]

[Text] Editor's note: The problem of how to "use loans where they are needed most" under the premise of strictly controlling loans to rural and township enterprises certainly merits serious study. Because of this we have published comrade Zheng Liangfang's article to arouse the attention and consideration of those comrades who are involved in credit matters for rural and township enterprises and, moreover, to put forward their own views, thus making the use of loans more reasonable. [End of editor's note]

In order to better implement the spirit of the State Council directive "On Strictly Controlling Loans to Rural and Township Enterprises" in seeking truth from facts, we went to Shanghai on a fact-finding study. We believe that under the general premise of implementing strict control over loans to rural and township enterprises, current lending policy should take differing circumstances into consideration while slowly applying the brakes, eliminating ordinary projects while keeping the important ones, limiting new construction, keeping those under construction, eliminating those projects with no returns and keeping those earning good returns. From a national standpoint, a special case for appropriate relaxation of credit to the rural and township enterprises in Shanghai can be made for the following reasons:

1. Shanghai is one of China's most important industrial bases. Approximately 80 percent of Shanghai Municipality's rural and township industry is channeled directly or indirectly into the nation's planned output value; 17 percent of its output value serves foreign trade export, while the amount that is produced for sale independently does not exceed 20 percent. Shanghai's rural and township industry thus is an extension, supplement, and component part of China's overall industry.

2. The economic results of loans to Shanghai's rural and township enterprises are the highest nationwide. Banks and concerned departments strictly examined whether there were sufficient sources for the raw and processed materials, technology, energy resources, markets and other links for the projects involved in developing these enterprises. In 1984 the rate of profit per 100 yuan nationwide in rural and township enterprises was 12.5 yuan, while in Shanghai it was 16 yuan. Last year, while loans to Shanghai's rural and township enterprises increased by approximately 400 million yuan, only 200,000 yuan, or 5 percent, was lost to poor results, compared to 10 to 30 percent in other parts of the country.

3. While loans to Shanghai's rural and township industry are the highest nationwide, failure to repay has not been a problem; last year the rate of repayment of loans was 98.02 percent, while from January to April this year it was 98.5 percent. In Shanghai's rural and township enterprises there are no idle loans. The debts of the small minority of rural and township enterprises that have gone out of business will be repaid by the responsible rural and township enterprise departments.

4. The proportion of Shanghai's rural and township enterprises that have their own funds is relatively high, conforming to bank loan requirements. In 1984 Shanghai's rural and township enterprises had 660 million yuan of their own circulating funds, or 54 percent of the quota of liquid assets. Last year, 38.5 percent of the investment for 931 new 10,000-yuan or higher projects was raised by the enterprises themselves.

5. Last year a major policy was instituted by the CPC Central Committee and the State Council to transform and vigorously develop Shanghai into a pathbreaker for the entire country in the building of the four modernizations. The economic and agricultural committees of Shanghai Municipality jointly convened a coordinating meeting for urban and rural industry, in order to speed the spread of urban industry to the countryside.

Objectively, the more vapid development of the rural and township enterprises demands that bank credit for them also increase more than for other areas.

To be sure, the relaxation of loans to Shanghai's rural and township enterprises also demands the ongoing, strict examination of feasibility for the loans, energetic exploitation of enterprise potential both in terms of internal funds and goods and materials, and a great effort to utilize their own strengths in developing themselves.

13103/7051
CSO: 4006/6

PROVINCIAL AFFAIRS

SHANXI GOVERNOR SPEAKS ON ECONOMIC SITUATION

HK180305 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 17 Dec 85

[Excerpts] At the second enlarged plenary session of the Seventh Shanxi Provincial Federation of Trade Unions on 17 December, Governor Wang Senhao made a speech on the province's current economic situation and the improvements in living standards during the Sixth 5-Year Plan.

Comrade Wang Senhao said: During the Sixth 5-Year Plan, great changes occurred in the economic and living standards of the people in Shanxi. The average worker wage in 1984 was 1,024 yuan, an increase of 61.5 percent over 1978. The average income per peasant reached 350.5 yuan, an increase of 222.15 percent over 1978. During the same period the general retail price index in the province only increased by 13.4 percent.

As far as consumption is concerned, in 1984 there were many more consumer durables per 100 worker households than in 1983. These included increases of 177 percent in color television sets, 135.2 percent in recorders, 72 percent in washing machines, and 30 times in refrigerators.

Of course we must also realize that the living standards of people in Shanxi are still in the lower half of the national table. We should continue to get a good grasp of the welfare facilities, workers' housing, and so on, which are indispensable for improving living standards.

On the question of price reform, Comrade Wang Senhao said: The economic structural reform we are carrying out first means readjusting irrational prices, not causing inflation. Workers' wages this year may show a rise of some 200 yuan this year, while the average increase in annual expenditure is only some 20 yuan.

Comrade Wang Senhao said in conclusion: We will certainly persevere in putting reform in the first place during the Seventh 5-Year Plan.

/8918
CSO: 4006/471

PROVINCIAL AFFAIRS

YUNNAN HOLDS ECONOMIC WORK CONFERENCE

HK201432 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 18 Dec 85

[Text] The Provincial People's Government held a provincial conference on economic work in Kunming from 9 to 16 December. On the basis of seriously summing up and analyzing the situation in economic work this year, the conference discussed and studied the economic work tasks in the whole province next year. Its focus was to stress the study of the guiding ideology of the economic work, the struggle targets, and the main work which should be grasped firmly and well, next year.

The guiding ideology of the economic work next year, which was determined by the conference after discussion and study, is to persist in simultaneously grasping the building of the two civilizations, to strengthen the macroeconomic balance, to promote the urban and rural reforms, to raise economic results, and to ensure the continuous, steady, and coordinated development of the national economy in the whole province.

The conference pointed out: In accordance with this general guiding ideology, in 1986, under the premise of guaranteeing the plan's fulfillment, it is necessary to strive to realize the following targets:

The province's gross industrial and agricultural output value must reach 22.2 billion yuan, gross output of grain 20.5 billion jin, the gross income of the township and two enterprises 3.3 billion yuan, the gross value of exported commodities d150 million, and financial revenue some 2.6 billion yuan.

The conference held: The conditions for fulfilling next year's plan and the above-mentioned struggle targets are very favorable. First, the suggestions of the central authorities on the Seventh 5-Year Plan have pointed out a clear orientation and road to develop the economy. Second, in the wake of the deep-going development of reform and of the strengthening of ideological and political work, the masses' enthusiasm will be further aroused. Third, the development of industrial and agricultural production this year has created favorable material conditions. Therefore, so long as the governments at all levels and departments concerned will seriously implement the series of principles and policies of the central authorities on the development of the economy, fully make use of the favorable conditions, overcome the disadvantageous factors, and do work well in a down-to-earth manner, next year's plan and struggle targets can be fulfilled.

/8309

CSO: 4006/470

PROVINCIAL AFFAIRS

BRIEFS

SPECIALIZED MARKETS FORMED--In the last several years specialized markets have emerged in large numbers in Zhejiang. At present, there are 782 of every kind, of which 596 are specialized markets in agricultural by-products, 186 specialized markets in industrial products, and 200 in primarily wholesale products [all figures as published]. Those exclusively wholesale did a volume of business in 1984 of 770 million yuan, constituting approximately one-third of all market trade. During the first half of this year the volume of business was 630 million yuan; an increase of 65 percent over the same period last year. The various types of specialized markets are based upon specialized households, family industries and rural and township enterprises, and utilize the numerous transport households to form a new type of circulation network. Management is flexible, goods are improved and updated quickly, readily adopting to changing demand, and penetrate markets well. The development of specialized markets has both increased the national revenue and quickened the pace of peasant prosperity. Last year market trade throughout the province (including the specialized markets) yielded taxes of 17 million yuan. It is estimated that taxes this year could reach 80 million yuan. [Text] [Hangzhou ZHEJIANG RIBAO in Chinese 7 Sep 85 p 1] 13103/7051

CSO: 4006/6

ECONOMIC PLANNING

GUANGDONG VICE GOVERNOR SPEAKS AT PLANNING WORK CONFERENCE

HK190733 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 16 Dec 85

[Text] At the provincial conference on planning work which opened on 14 December, Vice Governor Yang Deyuan put forward: It is necessary to observe the needs of reform of the all-round economic structure, to improve the planning work in our province, and to conscientiously persist in a basic balance of gross demand and gross supply in society. During the Seventh 5-Year Plan period, it is essential to guarantee key construction, to strive to raise economic results, to develop foreign trade and economic relations with foreign countries, to earn more foreign exchange, to make the people's livelihood continue to improve, and to lay stress on grasping eight important tasks well.

While analyzing the economic situation in our province, Comrade Yang Deyuan said: Like the economic situation in the whole country, the economic situation in our province this year is very good. Comrade Yang Deyuan pointed out: During the Seventh 5-Year Plan period, our province must initially consider laying stress on firmly grasping eight important tasks.

On the basis of raising economic results and social results, it is necessary to maintain a higher speed of increase in the national economy and to improve the situation in energy resources, communications, and telecommunications. It is also necessary to increase exports so as to earn more foreign exchange, to basically realize technological transformation in the main trades and the main enterprises, to vigorously develop the rural commodity economy, to develop agriculture, forestry, animal husbandry, sideline production, and fishery in an all-round way under the premise of steady increase in grain production. It is further necessary to basically popularize 9-year compulsory education, to gradually expand the scope of free schooling, to improve and develop higher education, to do scientific research work well, to train more talented personnel, to improve the urban and rural residents' livelihood, to further do well in planned parenthood, and to improve the quality of the population.

/8918
CSO: 4006/472

ECONOMIC PLANNING

HENAN'S YANG XIZONG ON ECONOMIC STRUCTURAL REFORM

HK190543 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 16 Dec 85

[Text] At the provincial forum on economic structural reform ended on 15 December, provincial CPC Committee Secretary Yang Xizong pointed out that in the next year the province's reform should continue to focus on invigorating enterprises with stress on circulation, finance, and horizontal economic combinations. Meanwhile, it is necessary to firmly grasp reform of other related parts.

The provincial forum on economic structural reform was held in Anyang from 10 to 15 December. All prefectural commissioners and city mayors; directors of prefectural and city structural reform committees and offices; heads of 12 experimental countries; responsible comrades of some enterprises and departments which have done relatively well in reform; and responsible comrades of the provincial committees, departments bureaus, and offices attended the meeting, totaling some 270 persons.

The participants exchanged experiences over the past year in reform, and earnestly studied and discussed problems arising in reform.

At the forum, (Zheng Hongqing), responsible person of the overall planning section of the state structural reform committee, made a report on how to view the current situation.

At the conclusion of the forum, provincial CPC Committee Secretary Yang Xizang arranged work for next year's economic structural reform in the province.

Comrade Yang Xizang said that in next year's reform, on the premise of stabilizing the economy, the province should grasp the implementation of some regulations which have been stipulated and promote in all areas the experiences gained at key points. All departments must grasp the reform of all related parts and create good a environment and conditions for production and business operations of enterprises. Enterprises must turn their eyes inward and give full play to their own potential. While enlivening enterprises, it is necessary to pay serious attention to macroeconomic control and business management. The two must complement each other. Planning, finance, banking, and taxation departments must use economic levers to properly manage the economy. Responsible departments must switch leadership by departments to leadership by trades, and properly manage enterprises and economy.

Comrade Yang Xizong laid much stress on enlivening circulation, on running trade centers, on invigorating finance, and on strengthening horizontal economic combinations. He said that the appearance of trade centers is an inevitable result and has contributed to enlivening circulation. Therefore, it is necessary to set up trade centers in a rational way and to support them selectively. The departments concerned should formulate some preferential policies. Financial departments must improve their services and internal management, help enterprises make policy decisions on investment and business operations, and open up financial markets in a planned way and under leadership, so as to solve the current problems of shortages, slow circulation, and low usage rate of funds.

Yang Xizong said that to develop horizontal economic combinations, and to bring in funds and technology to exploit natural resources in particular, all areas and departments must formulate some preferential policies to promote combined development. This is an effective way to solve the problem of the deficiency of funds, technology, equipment, and talented people in the province's economic development.

/8918

CSO: 4006/472

ECONOMIC PLANNING

HUBEI VICE GOVERNOR URGES CONSTRUCTION OF FORMER SOVIET AREAS

HK220756 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 18 Dec 85

[Text] On the afternoon of 18 December, the 18th meeting of the 6th provincial People's Congress Standing Committee held a plenary session. At the session, provincial Vice Governor Wang Libin delivered a report on supporting construction in the province's former Soviet areas and suggestions on future work. (Cui Yannian), director of the provincial Civil Administration Department, explained the draft regulations on supporting households enjoying the five guarantees. Vice Chairman Li Fuquan delivered an examination report by the legal system work committee of the provincial People's Congress Standing Committee on the draft regulations. Shan Yijie, secretary general of the provincial People's Congress Standing Committee, explained about establishing the nationality work committee of the provincial People's Congress Standing Committee. Vice Chairman Lin Musen delivered a report on examining and approving the credentials of (Huang Hantao), deputy to the Sixth NPC.

Zhang Xiulong presided over today's plenary session. Han Ningfu, chairman of the provincial People's Congress Standing Committee, and Tao Shuzeng, Jiao Dexiu, Tang Zhe, Zhang Jinxian, Shi Chuan, Chu Chuanyu, Wang Zhizhuo, and Lin Shaonan, vice chairman of the provincial People's Congress Standing Committee, attended the session. Also attending the session as observers were Ma Liang, president of the provincial higher people's court, responsible comrades of the provincial people's procuratorate and the provincial departments concerned, and responsible persons of all city and prefectural People's Congress standing committees.

On 17 December, the participants in the 18th meeting of the 6th provincial People's Congress Standing Committee examined and approved in groups draft regulations on the management and protection of cultural relics in Hubei Province and put forth concrete suggestions on revising the regulations.

On the afternoon of 18 December, entrusted by the provincial government, provincial Vice Governor Wang Libin delivered a report to the 18th meeting of the 6th provincial People's Congress Standing Committee on supporting the construction of former Soviet areas and suggestions on future work.

Wang Libin said that since the 3d Plenary Session of the 11th CPC Central Committee, over the past few years in particular, the provincial people's govern-

ment has taken such methods as defining projects, deciding on funding setting time limits, selecting leaders, and setting examinations to mobilize and organize government organs and relevant departments at all levels to actively support the construction of former Soviet areas. In the 3 years from 1983 to 1985, the provincial government has raised some 58.5 million yuan to support poor revolutionary base areas and has built some 943 basic installations, promoting economic development in some in the former Soviet areas and improving people's living standard.

Wang Libin said that in the new year, the provincial government will mobilize and educate leading cadres at all levels and personnel of all government organs to grasp the acceleration of economic construction in former Soviet areas as a strategic task. In view of the prominent difficulties in the former revolutionary base areas, the provincial government will further relax policies to give more vitality to the former revolutionary base areas and continue to raise funds and collect goods to support the construction of former revolutionary bases. The government has also decided to concentrate efforts over 2 to 3 years to support poor villages in the old revolutionary base areas from the second civil war, and then to use another 2 years to support those poor villages which were all-known during the anti-Japanese war and the liberation war, so that the former Soviet areas can get rid of poverty as soon as possible.

/8918

CSO: 4006/471

ECONOMIC PLANNING

XINJIANG HOLDS MEETING ON FIRST QUARTER PRODUCTION

HK130951 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 10 Dec 85

[Excerpts] The meeting on the regulation of production which was held by the regional economic committee this morning demanded that all supply and marketing enterprises throughout Xinjiang regard the making of preparations for production in the first quarter of next year as their main work in December and make a good beginning of production in the first year of the Seventh 5-Year Plan.

Zhang Sixue, deputy secretary of the regional CPC committee, spoke at the meeting. He said: The situation on the supply and marketing front this year is very good. However, we must keep a clear head and on the basis of seriously summing up experiences, find out the weak links in our work. While completely fulfilling and overfulfilling all quotas for this year, all [words indistinct] enterprises must regard good preparations for production in the first quarter of next year as the focal point of work in December. Through all channels, they must make preparations for the supply of raw materials to meet the needs of production. Furthermore, they must take effective measures to do well in grasping precautions against cold and fire to ensure safety in production.

Comrade Zhang Sixue emphatically pointed out: While strengthening the building of material civilization, all enterprises must attach special importance to strengthening the building of spiritual civilization. The principal leaders of all enterprises must go to all enterprises to conduct investigation and study, hold heart-to-heart talks with the masses, do practical work for them, resolve some practical difficulties, and extensively and penetratingly conduct education in ideals, discipline, the current national situation, policies, and unity of nationalities for the cadres and the workers--particularly for the young workers.

/8309
CSO: 4006/469

ECONOMIC PLANNING

BRIEFS

REFORM OF ECONOMIC STRUCTURE SYMPOSIUM--Sponsored by cities including Guangzhou and Shanghai, the third symposium on the exchange of information about reform of the economic structure in 15 cities opened in Guangzhou today. Thirty-two cities in the country have sent their representatives to attend this symposium. The third symposium on the exchange of information about reform of the economic structure in 15 cities will sum up and exchange the experience of all cities in giving play to the multifunctional role of the cities in the course of reform, developing relations among enterprises and cities, doing well in macroeconomic control, enlivening the market for the means of production, the financial market, and the technological market, and streamlining city government organs. In accordance with the spirit of the conference of party delegates the symposium will also study the orientation and focal point of reform of the economic structure for next year. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 6 Dec 85 HK] /8918

CSO: 4006/471

AGGREGATE ECONOMIC DATA

BRIEFS

SHANXI TOWNSHIP, TOWN ENTERPRISES--Township and town enterprises in Shanxi Province during the Sixth 5-Year Plan period have developed healthily. The province doubled the output value of its township and town enterprises in 4 years. The number of the workers of the township and town enterprises in the whole province now is about 2.1 million, some 1.2 million more than in 1980, and accounts for 28 percent of the total agricultural and industrial labor force. Output of raw coal, coke, pig iron, iron ore, cement, and machine-made paper, has increased quite a lot. The gross output value of all provincial township and town enterprises in 1985 may reach 8.5 billion yuan and be some 250 percent more than in 1980. The average increase is 29.7 percent a year and is more than the average annual increase--9.2 percent--stipulated by the Sixth 5-Year Plan. Income from sales and from labor may reach some 6.5 billion yuan and be 280 percent more than in 1980. The average increase is 31.2 percent a year and exceeds the average annual increase--10 percent--stipulated by the Sixth 5-Year Plan. The total amount of profits may reach 1.9 billion yuan and be 185 percent more than in 1980. The average increase is 23.3 percent a year. Despite reform of the tax system and increase in taxes, the net profits of the enterprises may still reach some 1.45 billion yuan and be 133 percent more than in 1980. The average increase is 18.3 percent a year.

[Summary] [Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 13 Dec 85 HK] /8918

JILIN SPECIALIZED HOUSEHOLDS--According to statistics, the number of specialized households across the province reached 409,000 during the Sixth 5-Year Plan period. Data from a sample survey of 20 specialized households and 20 nonspecialized households show that in 1984 the per-capita income of the specialized workers was three times that of the nonspecialized workers. The average amount of taxes handed over to the state by each specialized household was 506 yuan, ten times that of a nonspecialized household. In 1984 this province had 2,769 new economic associations, staffed by nearly 20,000 persons, and their average per-capita income was 1,149 yuan. [Summary] [Changchun Jilin Provincial Service in Mandarin 2200 GMT 14 Dec 85 SK] /8309

CSO: 4006/470

ECONOMIC MANAGEMENT

MANY HUBEI CADRES STUDY POLITICAL ECONOMY

Shanghai WEN HUI BAO in Chinese 3 Oct 85 p 1

[Article by Liang Jungui [4731 0971 6311[: "Grasp Orthodox Theoretical Education To Promote Economic System Reform: 370,000 Cadres From Hubei Study Political Economy"]]

[Text] Beginning June 6, Hubei Province organized 370,000 in-service cadres throughout the province to study political economy through broadcast educational programs in order to promote the ongoing economic system reform.

This study movement was planned by the Hubei Provincial CPC Committee in accordance with the spirit of the Central Committee's instruction concerning strengthening the cadre force's regular theoretical education and sponsored by the provincial party committee's lecture organization. There are two different programs. One admits cadres who have never systematically studied political economy, age under 55 (under 50 for women) and have high school education, and begins with the part on capitalism. The other program enrolls cadres who have had college education and have systematically studied political economy. They study mainly "The Resolution of the CPC Central Committee Concerning Economic System Reform" and Comrade Deng Xiaoping's book "Building Socialism With Chinese Characteristics" as a review of political economy. After they complete the study, participants of the systematic study program throughout the province will take unified provincewide exams organized by the provincial higher education independent study examination committee and the provincial party committee's lecture organization. Those who can pass the exams will be conferred junior college single-subject diplomas. Participants of the socialist economy program will also be examined by appropriate means.

In the past 4 months, many cadres persisted in the principle of integrating theory with practice, studied for the purpose of application and obtained initial results. Many regions and units reported that studying political economy helps deepen the understanding of "The Resolution of the CPC Central Committee Concerning the Economic System Reform" and correctly understand and solve new trends and problems.

12974/12828
CSO: 4006/348

ECONOMIC MANAGEMENT

HOUSEHOLD RESPONSIBILITY SYSTEM, MANAGEMENT MODES DISCUSSED

Fuzhou FUJIAN LUNTAN in Chinese No 8, 5 Aug 85 pp 38-40, 37

[Article by Xu Jingyong [6079 4842 0516]: "A Further Look At Household Responsibility Systems and Modes of Household Management"]

[Text] The establishment of the output-related household responsibility system represents a major readjustment of the relations of production within the agricultural collective economy in our country. Under this new system of operations and management, the broad masses of peasants are both laborers and operators; the laborers are directly linked with the means of production and authority, responsibility and benefits are also organically united, thereby generating an inherent motive force among the producers and giving new vitality to the collective economy. The implementation of the output-related household responsibility system has basically changed the modality of overly centralized operations and management in the past, set up the levels of operations within the cooperative economy with scattered household operations as the chief factor, and bestowed direct producers the essential power of operations and management so as to mobilize the enthusiasm of hundreds and thousands of households to the largest extent and give a powerful impetus to rapid development of agricultural production. However, some comrades still cherish the misconception that the output-related household responsibility system and scattered operations on a household basis are one and the same and come to the conclusion that the mode of operations in agricultural production at the present stage in our country amounts to operations on a household basis. This makes it more necessary to take a further look at the issue of operations on a household basis.

I. The Notion of Household Operation and Its Evolution

Traditional household operation is a pure form of operation on a household basis. For this reason, to analyze the connotation of household operation, we must start with traditional household operations. The connotation of a traditional household operation is quite close to that of an old-fashioned small peasant. Then what is an old-fashioned small peasant? According to analysis by classical writers, an old-fashioned small peasant refers to "an owner or a tenant peasant of a small plot--particularly an owner. This plot of land normally is neither bigger than the limit his whole family can cultivate nor smaller than the limit that is sufficient to support his

family members." Moreover, they "produce almost everything they need, all the more so in the villages and hamlets; this is almost a downright natural economy in which money is practically not needed." In this circumstance, if it is said that "land is the first fundamental requirement for a peasant's existence, then industry and sideline occupation are the second fundamental requirement." (Footnote 1) ("Selected Works of Marx and Engels" Vol IV, pp 298-299) The fundamental characteristics of traditional household operation may be generalized in the following several aspects: 1. It is an independent production operational unit on a household basis, with the labor force needed in a household operation only coming from its household members; the form of labor organization of a household operation is based on cooperation within the household; the scale of a household operation is subject to the restrictions of the quantity of labor force in the household and its quality and also the restrictions of the quantity of the means of production in the hands of the household and their quality. 2. The direct objective of a household operation is for sustaining the means of livelihood of the household which is both a production unit and a consumption unit; in this connection, an employee of a household operation is both a laborer and a consumer. 3. Agriculture is the main occupation of a household operation, handicraft industry is the sideline occupation of a household operation, with handicraft labor combining with agricultural labor to become an appendage to agricultural labor. 4. The material and energy needed in agricultural production at the stage of a traditional household operation come directly from within the ecological system in agriculture, they directly rely on the material cycle and the transformation of energy between the household producer and operator and nature, representing a closed form of operation in production.

As a form of operation in agricultural production, the traditional household operation is engendered under certain social economic conditions. However, with the development of the productive forces in society and more detailed division of labor in society, this type of traditional household operation is bound to be replaced by modern [jindai 6602 0108] household operation and even by contemporary [xiandai 3807 0108] household operation. In the history of development of human society, household operation has gone through three stages of development. The first stage is traditional household operation. At this stage, specialized division of labor and social division of labor were lacking and the commodity economy was not well developed; the direct objective of the household operation was for preserving the existence of household members, its guiding ideology was based on a self-sufficiency principle and not a commodity principle; commodity exchange took place once in a while, but the sales, too, were for existence. The second stage is modern household operation. At this stage, the production techniques and the level of production are considerably improved, there is a more developed specialized division of labor and social division of labor and commodity production and exchange becomes a dominant economic form, and the direct objective of production operations is to obtain monetary income. However, at this time, household operation is still not completely separate from household livelihood. The third stage is contemporary household operation. At this stage, production becomes highly specialized and socialized, modern science and technology and modern methods of management are widely used in productive operations in which household operation is basically separated

from household livelihood. A household operation in name only, it is actually an enterprise-like operation with all labor and material costs precisely included into production costs, and the direct objective of production operations is to gain more profits with each passing day. The above-mentioned process of evolution of household operation has made clear the issue that only when household operation still remains at the stage of traditional household operation can it deserve to be called a pure form of household operation.

Household operation at the present stage in our country represents an important level of operation in a cooperative economy, which is based on the public ownership of the principal means of production. Since important activities of production operations are either controlled or regulated by the state or the collective, it is in essence different from any form of household operation in the past. However, if we cast aside the special social nature (which is determined by the form of ownership of the means of production) manifested in the form of operation in agricultural production and take out its inherent and common attribute in general, it seems we may come up with this conclusion: most of the contract households in our country at present are still transforming from the first stage of household operation (that is the stage of traditional household operation) to the second stage of household operation (the stage of modern household operation) with specialized households and key households essentially in the second stage (modern) of household operation, while a few specialized households in the meantime have already begun to enter into the stage of contemporary household operation.

II. The Tenacity and Limitations of Traditional Household Operation

Judging from a worldwide standpoint, the traditional household operation existed not only in a slave society (such as the free people in the slave society of our country) and feudal society (such as the tenant peasants and owner-peasants in the feudal society of our country) but also in underdeveloped capitalist and socialist-societies. The perennial history of the traditional household operation has explained that as a form of operation in agricultural production, it has played a certain role in history and has shown fairly indomitable tenacity and vitality. This can also be analyzed in the following aspects:

First, in a traditional household operation, the variable cost accounts for a very small proportion in the structure of agricultural production costs. At this stage, because the labor cost accounts for a very large proportion in total production costs and this portion of household labor cost must be disbursed with or without operational activities in production, it is called fixed production cost. In this circumstance, as long as reproduction by the agricultural labor force is not interrupted, operational activities in agricultural production can still continue even though production results are extremely low. This is because the portion of production cost will still have to be paid even though operational activities in agricultural production are discontinued, in the meantime, to compensate for this portion of fixed production cost, operational activities in agricultural production must be carried on without interruptions.

Second, in traditional household operation, because many of the production resources are provided by the household itself and are not purchased with cash or hired, so the production cost (that is, the consumption of production resources expressed in the form of money) is at times much lower than that purchased with cash or hired and may even come to nil. In this circumstance, when the price of products drops below the production cost, commercial enterprises have no choice but to stop production, however traditional household operators can still carry on.

Third, in traditional household operation, the broad masses of peasants are not only laborers but also operators and policy decisionmakers, thus this will enable them to adapt to the complicated and changeable natural environment and adopt flexible countermeasures by acting according to circumstances; at the same time, also because the material interest of each producer is closely linked with the results of operation in production, it will naturally generate inherent motive force among the direct producers. Besides, at the stage of traditional household operation, since most of the means of agricultural labor and objects of labor and objects of labor are provided by nature, it will greatly enhance the growth potential of live labor thereby making it possible to expand production without having to inject additional new investment.

Fourth, in a traditional household operation, the direct objective of agricultural production operations is to satisfy the needs of household members so as to achieve self-sufficiency. This determines that the agricultural and sideline production so engaged represents production of multiple varieties or "part-time" or "miscellaneous" production. Even though the production level of the traditional household operation is comparatively low, because of its ability to earn more than one income, it also helps to alleviate the risks in agricultural production and ensure stability and certainty of agricultural returns. It is obvious that carrying out part-time production at a time when productive capacity is comparatively low will help promote economic growth.

However, we cannot assess the inherent tenacity of the traditional household operation too highly. With agricultural production developing in depth, the inherent conservativeness, exclusiveness and self-centered independence of the traditional household operation will become more and more of an obstacle to the development of productive forces. First, the limitations of the traditional household operation are manifested in the principal ways of acquiring products by relying on simple material exchange between the operators of household production and nature, with the necessary energy deriving essentially from biological energy resources. However, relying upon the organic substance and energy within the agricultural ecological system alone cannot satisfy the daily increasing needs of agricultural production. Furthermore, the material environment of the various biological colonies within the agricultural ecological system and between these biological colonies and the external environment are non-exclusive in nature. Since some of them will be lost through wear and tear and some are exported outside, a serious imbalance between the material cycle and energy resources and the transformation of energy within the agricultural ecological system is bound to appear,

thereby making it impossible to significantly and consistently raise soil productivity.

Second, at the stage of traditional household operation, a producer produces not only all the farm produce he needs but also most of the handicraft goods he needs. The perennial existence of this type of traditional household operation with the natural economy of self-sufficiency as the mainstay typically has perpetuated the concept of use value and not the concept of value among the broad masses of peasants; they have only the concept of product quality but do not have the concept of product cost; they cherish the desire of only satisfying household livelihood consumption but do not measure the size of economic effectiveness, thus making it impossible to achieve the maximum output with the minimum input. This is an important reason for the slow development in agricultural production in China over a long period of time.

Third, traditional household operation represents an operation by an independent production unit on the basis of a household, it possesses very insubstantial means of production, and its capability to conquer nature is very weak; its production scale is extremely narrow and small and cannot rationally compose an agricultural production structure, nor can it effectively utilize the forces that nature provides freely. In the meantime, it has also greatly restricted specialized division of labor and division of labor in society, and agricultural labor productivity cannot be easily raised. In criticizing this form of operation in production, Marx pointed out: "Its nature precludes the development of the productive labor forces in society, the form of labor in society, the social accumulation of capital and the continual and extensive application of animal husbandry and science. (Footnote 2) ("Selected Works of Marx and Engels" Vol XXV, p 910) "Just as the remnant of any outdated mode of production, it is irrevocably heading toward extinction." (Footnote 3) ("Selected Works of Marx and Engels" Vol IV, p 299)

III. The Change from a Single Household Operation to Double-Deck Operation Combining Centralization with Decentralization

With the emergence and deepening of division of labor in society (which is the natural outcome of the development of the productive force), traditional household operation (that is, the form of single-household operation) is bound to disintegrate gradually. Historical experience both at home and abroad reminds us that the single household operation cannot become the sole form of operation in agricultural production when commodity production and commodity exchange develop on a larger scale and infiltrate into the agricultural sector to a certain extent. Some comrades in China's theoretical circles have, on the other hand, totally excluded from the scope of agricultural production operations the social services for agriculture, including market information, policy decisions for operations, funding credit, material supply, technological guidance, scientific management, processing, storage, transportation and supply and marketing before, during and after production; they have directly equated the household responsibility system being implemented at the present stage in China with the form of household operation. Here it should be

emphatically pointed out that the household responsibility system being implemented at the present stage in China is a new type of cooperative economy with the characteristics of a multilevel operation gradually perfected by profoundly analyzing the experience and lessons learned from carelessly denying the positive role of household operation since the cooperative movement in China began. In a certain sense, this kind of multilevel form of operation in production was transformed from the form of single-household operation. However, this transformation has inherited and carried forward the strong points of the single-household operation, on the one hand, and at the same time overcome and transformed the weakness of the single-household operation. Consequently, while upholding socialist collective ownership, it is able to organically integrate collective and unified operation with scattered household operation to simultaneously give play to the dual role of collective superiority and individual enthusiasm. It goes without saying that in this form of agricultural production operations based on the cooperative economy, household operation is only an operational level in the cooperative economy which is different in nature from the private individual economy of the past.

At present, China's rural economic development has reached a historical turning point. The vigorous rise and rapid development of various forms of specialized household in China's vast rural areas along with specialized hamlets and villages and specialized towns of different characteristics and scales gradually formed on this basis means that commodity production in China is advancing both in magnitude and depth. Under this new situation, how to cope with the demand of the development of productive forces and bring scattered household operation in line with the orientation of the specialization, socialization and modernization movement becomes a vital key to correctly handling the mutual relationship between centralization and decentralization and further perfecting the output-related household responsibility system. If the necessary unified operation is lacking, development of rural commodity production and scattered household operation only amounts to empty talk.

12662/9435
CSO: 4006/223

ECONOMIC MANAGEMENT

SHAANXI REPORTS ON DEVELOPMENT OF TOWNSHIP ENTERPRISES

HK200905 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 16 Dec 85

[Text] The Provincial Government recently approved and published the report of the Provincial Agriculture Office and the Provincial Township and Town Enterprises Administrative Bureau on promoting the sustained and coordinated development of the township and town enterprises.

The report says: Over the past 2 years, township and town enterprises in our province have developed normally and rationally. In developing township and town enterprises in our province, while exercising macroeconomic control, we must persist in flexible microeconomic control. Under the premise of laying stress on raising economic results, we must maintain the necessary and rational speed. While doing well in reform of the structure, in partial readjustment, in technological transformation, and in tapping the potential of the enterprises, we must vigorously expand economic associations and set up backbone enterprises whose economic results will be good and which will develop new products.

The report points out: To develop township and town enterprises, it is imperative to do well in grasping two key points:

1. It is necessary to be bold in developing enterprises run by joint households and by households.
2. It is essential to vigorously introduce associations and to develop new products and products of superior quality so that the resources, labor forces, capital, and technology can be integrated still better.

The report points out at the same time: Regarding the new enterprises, we must continue to remit or reduce the income tax of their products for a specified period and allow them to repay 60 percent of their loans and debts before paying tax. One percent of the financial revenue in the budget must be allocated as funds to support township and town enterprises to develop. A relatively large proportion of state funds to support the old liberated and poor areas must be used to support these areas by setting up township and town enterprises. It is necessary to resolutely prohibit the incorrect methods of indiscriminately apportioning expenses; forcible imposition of charges; transfer of the enterprises' capital and materials at will; and forcible upgrading or changes in subordinate relations. All loans already verified must be promptly issued. It is not allowed to forcibly withhold

money as payment of a loan before it is due. The materials and raw materials which must be supplied to township and town enterprises in accordance with the specifications must be supplied in accordance with specified prices. No unit is allowed to withhold them.

/8309

CSO: 4006/470

125

ECONOMIC MANAGEMENT

HAINAN ISLAND COMPLETES NINE KEY DEVELOPMENT PROJECTS

HK190059 Beijing ZHONGGUO XINWEN SHE in Chinese 1342 GMT 17 Dec 85

[Text] Guangzhou, 17 Dec (ZHONGGUO XINWEN SHE)--Of the 24 continuing and new key development projects undertaken on Hainan Island this year, 9 have been completed or commissioned on an item-by-item basis by the end of November, topping all previous records.

The projects which have been completed and commissioned include the expansion project of the Hainan Qiongshan Cigarette Factory, the renovation project of the Haikou Tire Factory, the Lingtou-Basuo Railway, the Hengshan Bridge in Wenchang, the Shanzhugou Sugar Refinery in Changjiang, the Longli Sugar Refinery in Lingau, the Hainan Science and Technology Center, the first-phase project of the Chahe Cement Plant in Changjiang, and part of the second-phase expansion project for the runway of Haikou Airport.

Of Hainan's key development projects for this year, the projects in transportation, energy, and education have been completed in a fairly satisfactory way. For example, the expansion project for Haikou Airport's runway has been completed 30 days ahead of schedule; the Lingtou-Basuo Railway has been completed and open to traffic 2 months ahead of time; and the Hengshan Bridge in Wenchang has also been completed and opened to traffic 2 months ahead of time.

/8309
CSO: 4006/470

ECONOMIC MANAGEMENT

SHANGHAI EXTENDS TAX REVENUES, FINANCIAL INVESTIGATION

Shanghai WEN HUI BAO in Chinese 16 Oct 85 p 1

[Article: "Tax Revenue and Financial Self-Investigation Will Be Extended to End of Month; Municipal Self-Investigation Has Yielded More Than 50 Million Yuan in Overdue Taxes"]

[Text] The Leading Group for Municipal Tax and Financial Investigation has decided that the tax, financial, price and foreign exchange self-investigation in the city will be extended till the end of October and key investigation will also accordingly be extended till the end of December. The municipal government called a general cadre meeting yesterday, asking them to grasp the task firmly and strive for best results.

Initial statistics indicate that up until the end of September, through self-investigation the city discovered many cases involving tax evasion and discipline violations and collected overdue taxes amounting to approximately 55 million yuan. The meeting asked the cadres to deal well with discovered problems while continuing enterprise self-investigation. The meeting also called for good study of policy and enforcing financial discipline while supporting the economic reform.

Vice-Mayor Ye Gonggi [0673 0361 3823] presided over the meeting and also made a speech.

Zhou Zijian [6650 1311 0256], leader of the work group sent by the State Council to Shanghai to supervise the thorough financial and tax investigation, also spoke at the meeting.

12974/12828
CSO: 4006/348

ECONOMIC MANAGEMENT

OFFICIALS' ECONOMIC CRIMES MADE PUBLIC IN HEILONGJIANG

Harbin HEILONGJIANG RIBAO in Chinese 18 Oct 85 p 1

[Article by Nie Hongjun [5119 1347 6511]: "Province Publicly Deals With Economic Criminals; Harbin Intermediate Court Sentences Five Criminals According to the Law; Harbin Procuratorate Announces Arrest of Six Others"]

[Text] This morning the CPC committee of agencies directly subordinate to the provincial government convened their fifth public meeting to deal with economic criminals in the provincial exhibition hall. Harbin's Intermediate People's Court sentenced Zhang Liguo [1728 4539 0948] and four other criminals according to the law, and the Harbin City People's Procuratorate announced arrest of Jiang Wanli [1203 5502 3810] and five other criminals, also according to the law.

The criminal Zhang Liguo, originally the warehouse keeper for the Provincial Defense Materials Co, robbed the warehouse 24 times between 1983 and 1984 of 18.71 tons of steel products by falsifying documents, for a total of over 14,500 yuan in illicit earnings, and accepted bribes totaling 890 yuan. He was sentenced to 15 years' imprisonment according to the law. The criminal Zhang Xiwu [1728 1585 2976], formerly assistant director of the Capital Construction Office of the Provincial Forestry Bureau, who together with Xu Zhongzhi [1776 0112 2535] and others, inflated travel expenses, falsified final accounts and falsely reported working hours to gain more than 11,700 yuan in illicit earnings, was sentenced to 8 years' imprisonment. For taking more than 2,740 yuan in illicit money, Xu Zhongzhi was sentenced to 2 years. Criminals Gao Shuqing [7559 2885 7230] and Yu Yuexian [0060 6460 0341] were sentenced to 8 and 3 years, respectively.

According to the investigations of the procuratorial agencies, Jiang Wanli, assistant director (bureau level), of the Northern Trade Company of the Heilongjiang Provincial Branch of the China Metals and Mining Products Import and Export Co, together with Guo Guangsen [6753 1684 2773], employed by said company as general manager, and Wu Lufa [2976 6922 4099], the company's sales department manager; Wang Yanling, [3769 5333 3781] its assistant manager; the financially responsible person, He Chunmei [0149 2504 2734] and Lin Zhaoyin [2651 0340 6892], assistant finance office director of the provincial branch of the China Metals and Mining Products Import and Export Co, were all arrested according to the law by the Harbin City People's Procuratorate on charges of

graft, accepting and receiving bribes, fraud, speculation and other crimes. In light of their expression of recognition of their guilt and complete return of embezzled funds, Ma Ying [7456 5391], accused of graft, and Yue Li [1471 3810], who had been charged with bribery, had all charges against them dropped.

1221/12379
CSO: 4006/301

ECONOMIC MANAGEMENT

BEIJING HOLDS RALLY TO SENTENCE 23 ECONOMIC CRIMINALS

SK060750 Beijing BEIJING RIBAO in Chinese 27 Nov 85 p 1

[Excerpts] The Beijing Municipal rally on dealing severe blows to economic criminals was held at the theater of the Beijing Exhibition Hall on 26 November. At the rally, Ji Shuhan, acting president of the municipal intermediate people's court, announced the sentences for 23 criminals involving 13 economic cases. Vice Mayor Feng Mingwei pointed out in his speech: The judgments of the municipal intermediate people's court are a heavy blow to criminals who undermine the economy and are a serious warning to those who attempt to undermine the economic reform.

Among the 23 criminals who were sentenced at the rally, 1 is a retired cadre of administrative grade 12; 3 are industrial and communications cadres; 1 is a bank cadre; 2 are grassroots leading cadres of enterprises; 5 are responsible persons of collective economic organizations; 2 are workers; 7 are ordinary work personnel; and 2 are children of cadres. They are guilty of bribery, speculation and profiteering, embezzlement, tax evasion, and swindling. The different penalties for these 23 criminals were meted out by the municipal intermediate people's court according to the facts, nature, offenses and danger of their cases, and in line with the policy of combining punishment with leniency.

In conclusion, Comrade Feng Mingwei stressed: It is a long-term arduous task for party members, cadres, and the masses to struggle against criminal activities which seriously jeopardize public security and undermine the economy. We should clearly distinguish right from wrong, socialism from capitalism, proper activities from illegal ones, and breaking the law and crimes, and uphold the stand of the people and party policies to expose all criminal acts and to resolutely struggle against criminal activities. Those who commit crimes of various types should surrender themselves to the police and frankly confess their crimes. Only by so doing can they be dealt with leniently and have a bright future. All units and departments should strengthen political and ideological work, enforce discipline strictly, improve rules and regulations, and conscientiously tackle various problems so as to prevent crime.

/8309
CSO: 4006/469

ECONOMIC MANAGEMENT

GUANGZHOU COURT SENTENCES 24 ECONOMIC CRIMINALS

HK191228 Beijing ZHONGGUO XINWEN SHE in Chinese 1420 GMT 18 Dec 85

[Text] Guangzhou, 18 Dec (ZHONGGUO XINWEN SHE)--Today, the Guangzhou Intermediate People's Court sentenced 24 economic crime offenders to death, suspended death, life imprisonment, and imprisonment respectively.

All 24 offenders are charged with taking huge sums in bribes and having engaged in swindling and corruption by making use of their positions and powers. Two of the offenders who received more than 130,000 yuan in graft have been sentenced to death.

It is reported that since 1982, Guangzhou has cracked down on a total of 2,667 cases of economic crimes and 3,287 offenders, including a number of CPC members and, government cadres. Among these cases, 203 were big cases. Now, 2,513 such cases have been completed, over 90 percent of the total number of the cases, 35 offenders have been sentenced according to the law, 428 offenders have been punished according to party discipline, 538 offenders have been punished according to administrative discipline, and more than 6.37 million yuan, equal to \$110,000, worth of embezzled money and goods have been recovered. The political and legal departments and industrial and commercial administrative department have also cracked a large number of cases of smuggling and trafficking in smuggled goods and cases of speculation and profiteering. Since the beginning of this year, the number of economic crimes in Guangzhou has risen: More big and serious cases of economic crimes involving larger sums of money have occurred in Guangzhou.

The responsible person of Guangzhou City said: Next year, Guangzhou must further carry out education on the legal system, sum up experiences and lessons, and do a good job in its comprehensive administration; Guangzhou must strengthen the work of cracking big and important cases of economic crimes, mainly punishing those who commit economic crimes by taking advantage of the economic reform, the practice of opening up to the world, and the practice of invigorating the economy; Guangzhou must continue to carry out deeply the struggle against economic criminal activities and resolutely punish those who seriously damage the economy according to the law, no matter who they are.

/8309
CSO: 4006/470

ECONOMIC MANAGEMENT

SHANGHAI ACTS TO CURB PRICE HIKE

Shanghai WEN HUI BAO in Chinese 22 Oct 85 p 1

[Article: "Strengthen Control, Supervision and Inspection of Prices: Municipal Government Approves and Transmits 10 Rules For Stopping Evil Wind of Price Hikes"]

[Text] The municipal government recently approved and transmitted a document by the Municipal Bureau of Price Administration outlining regulations in 10 aspects concerning the strengthening of the control, supervision and inspection of prices, in order to stop the evil wind of price hikes.

The document approved and transmitted by the municipal government stipulates: for all means of industrial production whose prices are set by the state, the prices stipulated by the state must be strictly implemented (including stipulated price-increase ranges as well as floating prices and temporary prices); state-owned enterprises, collective industrial and commercial enterprises, industrial supply and marketing departments and materials management departments, except for those enterprises for which the state has special stipulations, are not permitted, in any form, to transform products within the state plan to products outside the state plan and sell them at high prices, nor are they allowed to sell them at high prices through their affiliated service (trade) organizations; for all means of subsistence whose prices are set by the state, the prices stipulated by the state (including floating prices stipulated by the state) must be implemented, and without approval no enterprises are allowed to change them on their own. Commercial wholesale units of all levels are not allowed to supply retail enterprises with commodities at prices higher than wholesale prices.

The document also stipulates: Shanghai's wholesale and retail commercial enterprises must sell, at prices stipulated by the state, products they purchased from outside the city, including television sets, refrigerators, washing machines, radio-recorders, cigarettes, liquors of famous brands and sugar; for products without stipulated prices, commercial municipal corporations in charge set the prices. Commercial organizations of all levels must not purchase products from outside the city at local retail or higher than local retail prices and then sell them in the city at even higher prices. For the pricing of imported commodities, all commodities whose prices have already been set by the city must be sold at the

stipulated prices. For major imported commodities whose prices have not been determined (television sets, washing machines, refrigerators, radio-recorders, cameras and watches), commercial municipal corporations in charge should set the prices; prices of other imported commodities should be determined by departments in charge one level higher than the importing units.

Prices of nonstaple foodstuffs and fruits, which are marketed at negotiated prices, should be determined in accordance with stipulated rates of purchase and sale price differences as well as gross profit. Such products should be marketed at small profit and forcing prices upward is not allowed. If necessary, the maximum price limit and the minimum protection price should be formulated. Various kinds of charge standards and prices must be implemented in accordance with regulations concerning graded management and no alteration is permitted without approval. Anyone who concocts various pretexts to raise prices and hence hurt the interests of the state and the masses must be resolutely stopped; price inspection departments should intervene and seriously investigate and penalize those who abuse their power to collect fees.

12974/12828
CSO: 4006/348

ECONOMIC MANAGEMENT

REVIEW OF, PROSPECTS FOR PRICE REFORM IN SHAANXI

Xi'an SHAANXI RIBAO in Chinese 9 Oct 85 p 3

[Article by Zhao Jingyan [6392 2529 8746], director of the Shaanxi Provincial Commodity Price Bureau: "A Review of and Prospects for Price Reform in Shaanxi"]

[Text]

I

Over the last few years, our gradual reform of the price management system has produced remarkable results.

First, we implemented a multilevel price management system, utilizing state-set, floating and free prices. With the development of the commodity economy, the scope of state-set prices will gradually shrink, while that of floating and free prices will further expand. Second, we decentralized some of the power over price determination. Of the 937 industrial and agricultural products once under the jurisdiction of the relevant provincial departments of price control, 142 are now managed by prefectures, cities or enterprises. Prefectures, cities and counties have, in turn, remitted some of their authority over prices to enterprises. Third, departments of materials and goods have improved supervisory work over price information, research and inspection, and have begun the transition from simple management forms to management services.

We have also greatly raised, three times in a row, the purchasing prices for agricultural byproducts, and have both raised and lowered industrial wholesale and retail prices and some non-commodity-related fees. At the same time, we have also reformed some principles and methods relating to price and appropriately disposed of price differentials for various categories of products. This has caused:

1. Preliminary changes in the differences in the capital profit rate. The rate in 1984 for industrial enterprises in the province was 6.4 percent, which was 0.9 percent higher than in 1981. The rate for light industry was 9.7 percent, or 11.27 percent lower than in 1981. The heavy industry rate was 5.7 percent, or 3.06 percent higher than in 1981. Of that figure, the rate for mining industries went from a negative increase to the present 0.6 percent. This initial change in the rate of capital profit has enabled many raw materials industries to turn losses into profits and begin to prosper.

2. The further shrinkage of exchange prices for industrial and agricultural products. The final purchasing price index in the province from 1979 to 1984 for agricultural byproducts increased 45.1 percent, while the retail price index for rural industrial products for the same time increased 9.2 percent. The increase of purchasing prices for agricultural byproducts enabled the province's peasants to increase their income to 1.25 billion yuan from 1979 to 1983, which aroused their enthusiasm for producing agricultural byproducts greatly.

3. The promotion of commodity production and circulation by rational prices. Commodity volume, variety and quality continue to increase and improve. In particular, the relaxing and enlivening of prices for first and second category agricultural byproducts have rapidly altered the phenomenon of goods going out of stock, and have stabilized and/or lowered prices. There is an abundance of goods on the province's markets at present, and sales are brisk. In 1984 total commodity retail prices throughout society grew 13.4 percent over 1983, and 76.32 percent over 1978.

II

Under the correct leadership of the provincial CPC committee and government, great achievements have been made in Shaanxi's price reform. Price increases have been generally lower than increases in the people's income in both city and countryside. For example, the cost of living and price index for employees increased 18 percent from 1978 to 1984, while the average wage for the same period increased 34.5 percent. The retail price index for rural industrial goods increased 9.2 percent, while net income for peasants in the same period increased by more than 80 percent. In addition to so conscientiously implementing the commodity price program and policies of the CPC Central Committee and State Council, we are also paying attention to the following three questions:

1. Emphasizing central problems. In addition to ensuring the implementation of the state disposition of prices, we have focused on key problems in local reform in order to gain firm control over the situation. We are zeroing in on commodities for which prices are outstandingly unreasonable, and which must be adjusted in order to ensure normal production and distribution. Only a small number of these are dealt with each year according to the absorption ability of all parties involved.

2. Controlling chain reactions. In order not to unduly increase the masses' burden, we have strictly controlled changes in commodity prices outside of the scope of the reform. Whenever a new price adjustment occurs, we organize our forces to inspect market prices, and deal with opportunist "hitchhiking" and the arbitrary raising of prices in direct or disguised ways whenever we encounter it in our investigations.

3. Selecting the proper moment. The localities in particular cannot compete with the nation as a whole for opportunities to adjust prices. Nor can they lag behind and lose precious opportunities. We resolved to act only when the national plan for price reform emerged, and after the general level of

commodity prices stabilized and other favorable conditions were met. In this way, we guaranteed the focus of central national problems while taking into consideration the real local situation at the same time.

III

In light of the smooth implementation of this year's reform, there ought to be set aside a time for the consolidation of its fruits. Based on the premise of maintaining progress through stability, the provincial CPC committee and government has called for the control of price levels of the province at this June's level. To do this we must first emphasize macroeconomic controls, tighten up the money market and control the growth and consolidate the scope of capital investment and consumer funds. Second, we must control the number of items whose prices are adjusted, and make an effort to stabilize the prices of agricultural byproducts, with an emphasis on vegetables and meat. Price controls for agricultural byproducts which have already been loosened must be better guided and managed. Prices for materials used in industrial production, consumer goods and for third category industries must be strictly controlled. Costs which have risen due to increases in the prices of raw materials for industrial consumer goods under state jurisdiction are to be absorbed primarily by the enterprises. Price increases implemented without approval shall be firmly rejected. In addition, we must make an effort to improve commodity price control, inspection and supervision, and deal severely with units or individuals who have seriously or repeatedly violated discipline.

12221/12379
CSO: 4006/301

ECONOMIC MANAGEMENT

HUBEI HOLDS CONFERENCE ON WORK STYLE OF ORGANS

HK160923 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 14 Dec 85

[Text] The provincial CPC committee, the provincial people's congress, the provincial government, and the provincial discipline inspection committee jointly held a telephone conference last night. The conference organized and formulated plans for solving several serious problems in the present work of organs.

The conference stressed: We must resolutely implement a series of instructions from the CPC Central Committee and the State Council on correcting unhealthy tendencies, resolutely improving the work style of organs, and eliminating all phenomena of corruption.

The conference pointed out: Following the 3d Plenary Session of the 11th CPC Central Committee, particularly since the party rectification was begun, the main trend of the work style of the province's party and government organs at various levels has been a good one. However, some party and government organs let unhealthy tendencies develop further instead of checking them as the central authorities have urged in their repeated injunctions. The six problems named by the CPC Central Committee office and the State Council office in their circulars are to be found in the province. Some of them are even very serious. They are the problems of party and government organs vying with each other to purchase and to replace their old vehicles with imported limousines; of organs arbitrarily sending personnel overseas; of organs engaging in extravagance and waste when entertaining and presenting gifts to guests; of party and government cadres spending public funds without restraint when going on business trips; of their violating regulations and running businesses; and of their receiving income through illegal means. Moreover, the malpractice of building private houses in towns and townships is spreading widely. All these phenomena of corruption run contrary to the building of socialist spiritual civilization. Though the phenomena occur only in a few organs or among a few people, they seriously undermine the prestige of the party and government among the people. They also corrupt the party work style and the general mood of society.

The conference urged the party committees and governments at various levels, as well as various departments, to promptly convey the circulars to the entire staff of all organs, and to mobilize them to study and discuss it. On the basis of studying and discussing, the leading comrades of party committees and leading party groups at and above county level, as well as the party and government organs at various levels, must measure themselves by the standards of the central authorities and play an exemplary role in simultaneous rectification and correction of defects. They should promptly solve well their problems and strive to establish and perfect the system, regulations, and methods of correcting the work style of organs. The responsible party and government cadres at various levels, particularly the leading cadres, must take the lead in measuring themselves by the standards of the central authorities.

The conference urged the party committees and governments at various levels to strengthen their leadership over organizations. They should eliminate and examine the six problems stated in the circulars, as well as problems in other areas concerning the work style of organs. They should deal seriously with those problems that are discovered, and act in accordance with actual conditions. On serious problems concerning violation of party discipline and state laws, they should handle them seriously in accordance with party discipline and state law. They should publicize some typical cases so as to educate party members and cadres.

The conference also urged the responsible party and government cadres at various levels to handle the work level by level with a strong sense of responsibility, and to solve the serious problems in the work style of organs. They should handle cases resolutely and must not be indulgent toward them, nor intercede for or shield the units and individuals who have committed mistakes. They must resolutely check and correct the unhealthy tendencies which were checked and have now developed again.

The conference held last night was presided over by Vice Governor Wang Libin. Shen Yinluo, deputy secretary of the provincial CPC committee, made a speech at the conference, which was attended by Li Fuquan, vice chairman of the provincial people's congress Standing Committee; and Hu Hengshan, secretary of the provincial discipline inspection committee.

/8309
CSO: 4006/469

ECONOMIC MANAGEMENT

HUANG HUANG INSPECTS SOUTHERN ANHUI COUNTIES

OW151110 Hefei Anhui Provincial Service in Mandarin 1100 GMT 13 Dec 85

[Excerpts] Provincial CPC Committee Secretary Huang Huang, accompanied by responsible persons of the departments concerned as well as engineers and technicians, conducted study and investigation in seven counties and two cities in southern Anhui for more than 2 weeks in November.

Comrade Huang Huang pointed out that instead of depending on their current single economic crop the hilly areas of southern Anhui must develop three pillars to invigorate their economy. He said: They must continue to pay attention to industrial and agricultural production, stress a diversified economy with forestry development and tea production as the key, and promote complicated processing and comprehensive utilization of resources.

They should also actively develop commerce and trade to revive the practice of the Anhui Tradesmen and promote commodity circulation. They should also vigorously develop tourism and other tertiary industries that serve tourism. These constitute the three important strategic points for economic development in the southern Anhui hilly areas. They are also the three economic pillars on which those areas can invigorate their economy. Only when all three pillars are erected will the whole economic situation in the hilly areas become prosperous. Simultaneous development in these three areas will surely give the hilly areas a headstart for getting rich.

Mountains comprise 70 percent, rivers 20 percent, and farmland 10 percent of the southern Anhui area. When Comrade Wan Li was in charge of Anhui Provincial CPC Committee work following the collapse of the Gang of Four, he made a timely and resolute decision to readjust the production policy. He wisely pointed out that the hilly areas should promote a diversified economy with forestry and tea production as the mainstay. Practice shows that this fundamental change in production policy has revived and developed southern Anhui's economy greatly.

Comrade Huang Huang said during his inspection tour that to promote a diversified economy with forestry and tea production as the key is a correct policy for developing economy in the hilly areas. There is great potential in this field now and there are many things we can do to tap that potential.

Comrade Huang Huang also said: We can understand today by using the past as a mirror. The activities of the ancient Anhui Tradesmen left a tremendous impact in history and contributed much southern Anhui's economic and cultural development. By studying the history of the Ancient Anhui Tradesmen and the important role they played, we should understand fully the importance and possibility of developing commerce and trade and promoting commodity circulation.

Consider Huizhou Prefecture, for example, which has not only a fully developed network of highways but also enjoys the convenience of railways, civil aviation, and river navigation. It is bestowed with very rich resources in various fields. Moreover, its people are now at a much higher level in regard to thinking and cultural quality than their ancestors. We surely will be able to draw lessons from the experience of our predecessors and take good advantage of existing conditions to develop commodity trade in a big way. It is particularly necessary to promote open trade. The goal should not be limited to trade covering only the 1 or 2 million people of southern Anhui. Rather, we should aim to do business for 5 million or 10 million people. We can even formulate plans that go beyond the borders of the province and the country.

Comrade Huang Huang said: To develop these economic pillars, it is necessary to plan well and work hard to strive for better economic results. At present, the following five areas deserve attention:

1. Cadres at all levels, leading cadres in particular, must bring about a change in their ideological understanding, method of thinking, work style, and life style.
2. Persist in proceeding from actual local conditions, focus attention on matters of importance, clearly set the goal to be attained and the main approach to be taken, and strive to do a good job in management.
3. Carefully handle the relations between speed and results.
4. Persist in taking a 2-pronged approach in developing tourism. On the one hand, take full advantage of the great appeal Huang Shan has in all circles to provide fine quality services in various respects to increase income. On the other hand, pay attention to the planning, construction, and management of other tourist attractions.
5. Adhere to the principle of joint efforts of the state, the collective, and the individual. In addition, practice division of responsibility, always consider what is best for the masses at the grass-roots level and rely on the masses in all local undertakings. It is necessary to study and formulate a practicable policy of preference in order to arouse the masses' enthusiasm and encourage them to take part in these economic activities.

/8918
CSO: 4006/472

ECONOMIC MANAGEMENT

CHANGES IN BEIJING'S URBAN, RURAL PRODUCTION

OW051308 Beijing XINHUA Domestic Service in Chinese 0928 GMT 5 Dec 85

[By reporters Zhou Kejin and Shao Quan]

[Text] Beijing, 5 Dec (XINHUA)--During the period of the Sixth 5-Year Plan, Beijing's urban and rural production structure has undergone conspicuous changes. Its economic construction has become more compatible with the capital's needs and has yielded more fruitful results.

In accordance with the central authorities' relevant instructions and Beijing's General Urban Construction Plan, Beijing has made the following major readjustments in its production structure along with its urban and rural economic reform during the period of the Sixth 5-Year Plan:

--The development of tertiary industry has been conspicuously expedited. There are now 80,000 commercial, repair, and other service shops and stalls in the city, 3.4 times more than in 1980. During the 5-year period, over 3,000 restaurants and hotels have been built or remodeled, thus providing an additional 240,000 beds, or 2.9 times more than in 1980. The number of taxicabs has increased to 11,000, or 3 times more than the number in 1980. The proportion of tertiary industry in the city's gross national production has gone up to 33.7 percent in 1985 from 26.8 percent in 1980.

--The development of foodstuffs, electronics, and other light industries as well as precision and technologically intensive industry has been expedited. The proportion between light and heavy industries, and the industrial layout as a whole, are better rationalized. During the period of the Sixth 5-Year Plan, the proportion of the city's light industrial production has risen from 39 percent of the city's total industrial output in 1980 to 44 percent in 1985. During the 5-year period, 156 factories causing serious pollution were switched to the manufacture of other goods, closed, merged with other factories, or relocated. Since 1980, the city's total industrial output has been growing at an average annual percentage of 7.8.

At present the structure of Beijing's primary and secondary industries is still not fully rationalized, and its tertiary industry is still far from able to keep up with the needs of the city's economic development and the people. Problems of food, transportation, and hotel and telephone services are still quite conspicuous. During the next 5 years, Beijing plans to continue to re-vamp its production structure and, in particular, to make great efforts to develop its tertiary industry so that inconveniences to the people's lives will be further alleviated.

/8309

CSO: 4006/470

ECONOMIC MANAGEMENT

BELJING MEETING DISCUSSES BACKWARDNESS OF MOUNTAINOUS AREAS

SK060149 Beijing BEIJING RIBAO in Chinese 23 Nov 85 p 1

[Excerpts] The 24th Standing Committee meeting of the 8th Municipal People's Congress opened on 22 November.

The meeting first examined the motion raised by the delegation of Pinggu County with regard to "vigorously helping the poor mountainous areas put an end to their backwardness," and heard the report given by Huang Chao, vice mayor of Beijing Municipality, on dealing with the motion.

At the meeting, participating members enthusiastically held discussions on the issue of putting an end to the backwardness of the mountainous areas as soon as possible. They held that the mountainous areas account for percent of the total municipal acreage. Therefore, successfully building the mountainous areas and putting an end to their backwardness has a vital bearing on the economic construction in the capital as a whole. However, some mountainous areas in the municipality have continued to be relatively backward in the economy because of inconvenient transportation, insufficient information, monotonous production items, unreasonable production structure, and the shortage of knowledge and able personnel. Some of them still continue to maintain their poor status. Such a state of affairs is unworthy of the position of the capital. From now on, the governments at all levels throughout the municipality should not indulge in empty talks, do much practical work, and should put the work of helping the poor mountainous areas put and end to their backwardness on their important schedule.

In his summing-up speech, Zhao Pengfei, chairman of the provincial People's Congress Standing Committee, stated: Since the liberation, particularly since the 3d Plenary Session of the 11th CPC Central Committee, the municipality has scored certain achievements in building mountainous areas, which we must acknowledge. The issue discussed today is aimed at enabling us to take bigger steps in putting an end to backwardness of the mountainous areas. Only by having the municipal People's Government map out reasonable policies and mobilizing the people of the city and mountainous areas to exert mutual efforts in work will be suburban mountainous areas certainly be able to continuously score new achievements in their construction.

Zhao Pengfei, chairman of the municipal People's Congress Standing Committee, presided over the meeting. Attending the meeting were vice chairmen of the municipal People's Congress, including Ma Yaoji, Hou Jingru, Pu Jiexiu, Cai Xu, She Diqing, Chen Mingshao, Zhang Dazhong, Xing Jun, Rong Yi, and Xia Qinlin. Attending the meeting as observers were Xue Guanghua, president of the municipal Higher People's Court; Wang Zhenzhong, chief procurator of the municipal People's Procuratorate; and responsible persons from the People's Congress Standing Committees of various districts and counties.

The meeting will continue today.

/8309
CSO: 4006/469

ECONOMIC MANAGEMENT

BRIEFS

HUNAN CIVIL DEFENSE WORK--During the Sixth 5-Year Plan period, the province scored remarkable successes in civil defense work by seriously implementing the central principle of making overall plans, stressing the main points, integrating the efforts of the masses with those of cadres, and focusing on quality. The part of the province's area designated for civil defense work currently in use totals more than 348,000 square meters, or 21 percent of the total area. The province uses the civil defense area and facilities for running industrial and commercial enterprises, resulting in an annual output value of 12.7 million yuan. This also provides job opportunities for over 1,760 people. In addition, the rates of use of the civil defense facilities in Huaihua, Zhuzhou, Changsha, and Hangyang cities varies between 25 to 30 percent, which is above the national average for the use of the facilities for civil defense work. [Text] [Changsha Hunan Provincial Service in Mandarin 1100 GMT 12 Dec 85] /8309

GANSU TOWNSHIP, TOWN ENTERPRISES--The township and town enterprises in Gansu Province overfulfilled the quota for the output value for this year, 2 months ahead of schedule. The gross output value reached some 1,342 million yuan. According to incomplete statistics, since the beginning of this year, our province has introduced some 2,400 technologically talented people in various categories from other provinces and cities, sent some 3,400 people to other places for the purpose of study, and imported 158 technological items whose value is some 30 million yuan. [Summary] [Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 4 Dec 85 HK] /8309

JILIN RECEPTION, SERVICE WORK FORUM--The provincial forum on reception and service work of various government organizations ended in Changchun on the afternoon of 13 December. The reform stressed: In terms of reception and service work, we should first reform the management system. Various institutions should be managed the way enterprises are managed. Second, we should reform the management method, such as instituting various kinds of responsibility systems and intensifying the system of plant directors assuming full responsibility. Third, we should reform the service methods, and improve the quality of service. Fourth, we should reform the distribution system, and overcome the egalitarianism in utilization of bonuses in order to mobilize the initiative of workers and staff members. At the same time, we should strengthen the political and ideological work among service units. Comrades Gao Di and Gao Dehan attended the forum, and talked with the participants. [Text] [Changchun Jilin Provincial Service in Mandarin 1030 GMT 13 Dec 85] /8309

MEETING ON ECONOMIC CRIMES--A meeting for procuratorial organs throughout the province to exchange experiences in dealing blows to economic crimes concluded on the afternoon of 26 November. At the meeting Xie Feng, deputy secretary of the provincial CPC Committee, pointed out: Although procuratorial organs at all levels throughout the province have achieved great results in dealing blows to economic crimes since the beginning of this year, they should note that their future tasks are still arduous. Comrade Xie Feng affirmed the method of attending to the work of dealing blows to economic crimes by departments of the same trades in a systematic manner as adopted by procuratorial organs. Then he said: Such a method enables the departments where economic crimes are serious to discover in a timely manner clues and the origins of cases, and is conducive to mastering the laws governing criminal offenses. On the future tasks for procuratorial organs of the province, Comrade Xie Feng said: Efforts should be concentrated on control over material and money, the handling of major and appalling cases, and the elimination of obstacles to and interference in handling cases. He stressed: CPC committees at all levels should put at the top of their agenda the work of dealing blows to economic crimes, strengthen leadership over it, change the situation of poor efficiency in this work, and solve problems in a down-to-earth manner. [Text] [Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 26 Nov 85 SK] /8918

CSO: 4006/471

FINANCE AND BANKING

FOREIGN EXCHANGE EARNINGS INCREASE IN GUANGDONG

HK190319 Beijing ZHONGGUO XINWEN SHE in Chinese 0236 GMT 17 Dec 85

[Text] Guangzhou, 17 Dec (ZHONGGUO XINWEN SHE)--Guangdong Province made new progress in its foreign economic relations and trade this year. Its foreign exchange earnings through exportation increased by 20.4 percent over last year.

The increase was mainly attributed to steady development in industrial and agricultural production and an ample supply of goods for export. It is also attributable to the provincial foreign trade departments, which conducted more study and investigation in international markets, instantly provided sufficient economic information to enterprises and factories, and brought the role of factories and workshops specially assigned to produce goods for export into full play. Furthermore, they exercised effective control over exports, built closer relations with old customers, and brought in a number of new customers. They also assigned people to study world markets, sent salesmen abroad, and held exhibitions and fairs in order to open up international markets. By the end of November, many provincial export corporations such as metal and minerals, nonferrous metal, metallurgical products, cereals and oils, textiles, silk, tea, and machine building fulfilled their annual plans a month in advance.

This year a good situation also appeared in the raw and semi-finished materials processing industries, in processing industries for samples and the assembly of spare parts for foreign enterprises, in compensation trade, and in equity joint ventures and non-equity joint ventures. According to an estimate made in early December, foreign exchange earned by the provincial raw and semi-finished materials processing industries, sample processing and spare parts assembly industries for foreign enterprises, and compensation trade increased by 150 percent over the corresponding period of last year.

/8309
CSO: 4006/463

FINANCE AND BANKING

OPENING LIMITED FREE FOREIGN EXCHANGE MARKET SUGGESTED

Guangzhou GUANGZHOU YANJIU [STUDIES ON GUANGZHOU] in Chinese No 4, '85 pp 28-30

[Article by Xie Min [6200 2404] of the Institute of Economics of Jinan University: "Open a Limited Free Foreign Exchange Market"]

[Text] Along with the gradual opening up of China's economy to the outside, the rapid growth of foreign trade and the daily expansion of international economic contacts, our foreign exchange control system has slowly become unsuitable to the needs of developments in the new situation. The most pressing current problems are:

1. The exchange rate of the RMB in relation to other currencies is not affected by the balance of exchange or supply and demand; nor can the RMB be freely converted. This sort of exchange rate system cuts the link between domestic and international prices and is not good for the development of foreign trade. On the macroeconomic level, it has led to irrational and uneconomic allocations of sources of capital in the foreign trade economy. In this system, the exchange rate cannot be used as an economic level in foreign trade; nor can it function along more advantageous principles. On the microeconomic level, the system does not allow domestic enterprises that engage in international business to accurately calculate production costs, or to evaluate their economic effectiveness, which dampens enterprise enthusiasm for doing international business.
2. Dealings with foreign currency outside state plans have emerged as foreign business contacts increase, but the reliance of the Bank of China on balance of exchange planning to unify foreign currency dealings can no longer satisfy requirements. In addition, the fixed flat rate of exchange between the RMB and foreign currencies set by the state lacks flexibility, and the RMB is set too high, which has lead to a rampant black market in foreign currency and serious arbitrage and flight of foreign exchange. Foreign currency remittances from overseas Chinese that are part of the state's revenues and have dropped greatly, while the amount of foreign currency brought in privately has increased greatly. Some enterprises and self-employed households use the foreign currency black market when they have international economic dealings as they have no way to obtain foreign currency through proper channels. This has lead to even more serious speculation in foreign currency, and reveals the irrational

and imperfect aspects of our current exchange rate system and exchange control system.

3. The current exchange rate and exchange control systems discourage the importing of foreign capital and technology, especially the most advanced production enterprises. Since the implementation of the open door policy and creation of SEZ's in 1979, most of the foreign capital attracted to China has been in the service industries (for example, hotels, restaurants, large-scale entertainment centers, etc.). Manufacturing enterprises have been fairly few, and those with advanced technologies even fewer. This situation is caused by the excessively high value set for the RMB and the lack of free exchange. Generally a high value for the RMB compared to other currencies encourages the export of capital and discourages its import. This increases investment costs for foreign capital entering China, and adversely affects the enthusiasm of the foreign capitalist for investment in China. The inability to exchange the RMB freely limits the foreign currency balance of foreign, overseas Chinese and Hong Kong enterprises. The main reason for the slow growth of foreign manufacturing enterprises and the rapid growth of foreign service industries in China serving primarily foreign tourists and Hong Kong and Macao compatriots is that when the former sell their products within China they can only receive RMB. The investor cannot convert the money he has earned into foreign currency to take out of the country. The latter directly receives foreign currency and has no problem with converting currency.

The above three items are fairly outstanding problems that have emerged in the current exchange control system during the course in China's opening up to the outside. All of these problems are related to the fixed flat rate system of exchange in which RMB transactions do not accord with the balance of foreign exchange, and the inability to freely exchange currency. Therefore any measures taken to solve these problems must take these two points into consideration.

Some comrades advocate completely opening up the foreign currency market and changing the flat fixed rate of exchange to a system of floating exchange rates. This writer feels that the complete opening up of the currency market, basing exchange rates on supply and demand, and implementing free exchange is the basic direction and tendency for development in the reform of the currency control system. However, in order for this to occur, there must be an ample supply of foreign currency reserves, international payments must remain balanced for a long period of time, the domestic economic situation must be stable and the currency and monetary control systems must be improved. Considerably large number of expert personnel would also be required. These conditions have not yet been met at the current juncture, and are not likely to be for a while. In terms of a basic balance of international payments, China is now in a period of large-scale construction, and must import a definite amount of necessary mechanized equipment. The amount of imports can only gradually increase over the next few years. The composition, quality and variety of our export commodities at this stage have determined that our income from exchanging currency for export cannot undergo a large-scale increase in the next few years, and that there will continue to be an imbalance of

international foreign currency payments for some time to come. If we implement floating exchange rates and allow free trading of the RMB, the need for foreign currency will be greater than its supply, exchange rates for the RMB may exhibit a long-term tendency to fall, and a large-scale devaluation would occur which would lead to domestic inflation and an unstable economy and would hinder other aspects of the economic reform. Therefore, it would not be fitting at this stage to completely open up the foreign exchange market. However, on an experimental basis, limited opening would be possible.

A limited opening of the exchange market refers to the allowing of the existence of a free foreign exchange market within a definite framework, outside of the state list price exchange market. Changes in exchange rates in this free market would generally be decided by the supply and demand situation in foreign currency. The Bank of China would not interfere administratively, but would use only economic levers to supervise and manage. In the beginning, there would have to be restrictions on who could participate in the buying and selling. For example, it could be ruled that only state or collectively run entrepreneurial units with foreign business dealings that are legally defined as juridical bodies and that have received the approval of the relevant state departments could participate in the free exchange market. Individuals would not generally be admitted. Only when these supervisory measures have been completed could the restrictions be gradually lifted.

Sources of foreign currency for the free market would be: (1) Foreign currency already held by enterprises. The state could rule that any enterprise with export income in the form of foreign currency could after selling a certain proportion of their foreign exchange income to the Bank of Ehinen at the list price, then retain the remainder and sell it on the free market. (2) Foreign currency funds temporarily left unused foreign, overseas Chinese and Hong Kong enterprises. The above two categories are the primary sources of foreign exchange on the free market. Whether or not to allow individuals to trade with their foreign currency on the market would be decided by the relevant departments based on how it would affect the absorption of foreign exchange savings and management. Chinese banks may be able to absorb foreign exchange held by individuals, but these individuals may not necessarily be permitted to sell their exchange on the free market.

The limited opening-up to the foreign exchange market would have the following positive results:

1. Exports would be encouraged and imports limited. After submitting the required amount of foreign currency earnings to the state, export enterprises could sell the remainder on the free market exchange rates, to obtain a larger amount of RMB and greater profit, which would encourage the enterprises to export more and exchange more currency. Import enterprises could purchase a portion of the foreign currency they need on the free market rates which would increase import costs in terms of RMB, encourage import enterprises to use domestic products as much as possible, and reduce the amount of blind importing. This would not only aid in saving foreign exchange funds, but

would partially solve the problem of poor use of retained foreign currency and reduce the amount of unused, stagnating foreign exchange.

2. It could aid in the import of foreign capital and in the enlivening of the domestic economy. For example, it could to a certain degree solve the problem of the imbalance of foreign exchange brought about by the domestic sales of products of foreign, overseas Chinese and Hong Kong enterprises. The small amounts of foreign currency needed by small and medium sized enterprises to conduct technological improvements could be obtained on the free market, which would simplify application procedures, and so on.

3. It could aid in the gradual reform of China's price system and the lack of linkage between that system and the international price system and promote reform in commodity prices within China. Due to the fact that foreign trade enterprises could buy and sell some foreign currency on the free market, market exchange rates could even more promptly and accurately reflect the comparative value and supply-demand situation of the RMB in relations to foreign currencies than the state market quotations. Distortions in accounting for economic results in foreign trade enterprises caused by irrational exchange rates could be partially eliminated. It would also be helpful in uniting macro-and microeconomic effectiveness. At the same time, due to the fact that the market exchange rates reflect changes in domestic and international price levels, enterprises could to a certain extent, more quickly understand international exchange quotations and conditions and take appropriate measures. This would be helpful in improving the ability of Chinese enterprises to react to international changes and to compete on the international scene.

4. It could to a certain extent relieve the problem of rampant black market speculation in foreign exchange. After the limited opening up of the foreign exchange market, much of the currency circulating in the black market would flow into the free market, and the scope of the black market would be reduced. The free market would be managed by the Bank of China, and both buyer and seller would have to follow the relevant laws and conduct normal business activities. This could aid the state regain control over a large amount of foreign exchange.

5. It would aid in making ideological and organizational preparations and in preparing practical measures for the future opening up of the foreign exchange market. Along with the appearance in China of foreign, overseas Chinese and Hong Kong enterprises, the entrance of foreign banks into China is inevitable. If we lack the ability to do foreign exchange business, foreign banks may corner the market in foreign currency savings. Therefore, a limited opening up now of the foreign exchange market would lead to the cultivation of personnel and accumulation of experience for China when we enter the international monetary market in the future.

The problems that may occur with the limited opening up of the foreign exchange market are as follows:

1. Much foreign exchange would flow into the free market and the amount of foreign currency held by the state would be reduced. Such an assault on the

state market would leave state market quotation exchange rates devoid of any real meaning. To prevent this, we must make sure that the opening up is a limited one, and that management over foreign exchange is not given up or eliminated. The state could determine what percentage of foreign currency enterprises must sell to the state at state list prices based on considerations of current annual foreign exchange revenues and the speed of development of foreign trade. This would guarantee that the state would retain a considerable amount of foreign exchange, and ensure that no harm would be done to the overall interests of the state. In the beginning stage of the opening up it would not hurt to set this percentage a little high, and then gradually lower it later.

2. After the opening up, there may be large, sudden increases in the market exchange rates due to the fact that demand will be greater than supply, which will give opportunities for speculators. In this regard the writer thinks that, first of all, the economic lever provided by floating exchange rates will cause large amount of unused foreign exchange funds in the flat rate exchange system to flow into the market, which will increase the supply. At the same time the need for foreign exchange will be contained. The mechanisms of the market will ultimately balance supply and demand, and the exchange rates will gradually stabilize out basically to the real ratios among different currencies. The Bank of China could also utilize economic levers such as the foreign exchange equilibrium fund to interfere when necessary and, in the beginning, could use supplementary administrative measures. For example, limits could be placed on buyers of foreign exchange to prevent certain units or individuals from using the fluctuations in the exchange market to engage in speculation. Second, so long as there is an open foreign exchange market, there will always be cross exchange and speculation, which is not sufficient reason for panic. Practical measures of management can only be improved through practice, and the process will be a continuing one.

3. After the opening up, will the RMB's reputation be harmed by permitting the existence of multiple rates? In fact the existence of multiple rates is a common and inevitable occurrence in economically underdeveloped countries when they implement foreign exchange controls. To improve the RMB's reputation, we must rely on the enhancing of China's real economic strength. I have already mentioned the advantages of improving economic development via the conscious utilization of the free foreign exchange market. There has been a foreign exchange black market in China since the founding of the People's Republic. Its scope has become greater and greater despite repeated attempts to eliminate it. In opening up the foreign exchange market we would use economic methods and place the free buying and selling of foreign exchange under the guidance of the state, to change the "black" market into a "white" market and utilize its strong points while containing its weaknesses. This would help to increase foreign exchange revenue, attract foreign capital, obtain better macro and microeconomic results and finally raise the value of the RMB and enhance its reputation.

4. Will the increased inflow of foreign currency and circulation of the RMB after the opening up cause the influx of inflation from abroad, and lead to

increased domestic commodity prices? From a theoretical point of view, this may happen, but based on an analysis of China's current real situation, it would not be serious. First of all the main entities participating in free foreign exchange trade would be state or collectively run foreign trade enterprises. The extra RMB obtained via the sale of foreign currency would be paid for by purchasing units. An increase in exchange rates would only result in economic benefit shifting from enterprise to enterprise. The People's Bank would not really need to issue more RMB. Second, China needs large amounts of capital for its economic construction, and the influx of foreign capital suits the objectives of the macroeconomy. The assault on the market for consumer goods direct stemming from the conversion of foreign currency to RMB would only affect individual foreign exchange revenue. This would not have a great effect on the consumer goods market as a whole, and would not cause sharp increases in prices.

What needs to be noted even more is the fact that the free foreign exchange market already actually exists illegally. The above-mentioned problems in reality already appeared long ago. Opening up implies managing and supervising the free foreign exchange market, in which case many problems could be dealt with better than they are now, and would not become worse.

12221/12951
CSO: 4006/167

FINANCE AND BANKING

BANK OF CHINA RULES ON FOREIGN CURRENCY DEPOSITS

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 47, 25 Nov 85 p 30

[Bank of China Rules Governing Foreign Currency Deposits (Type C)]

[Text] Article 1: This type of deposit service is to be handled by various branches, subbranches and offices of the Bank of China in the country.

Article 2: All residents within the boundaries of China may open a foreign currency deposit account.

Article 3: This type of deposit is divided into foreign exchange account and foreign currency account.

1. All foreign exchange remitted or brought in from outside and foreign exchange in the hands of residents inside the country that can be converted freely may be deposited into a foreign exchange account. Foreign currency bills that cannot be cashed immediately may be deposited only after the bank has completed collection.

2. All foreign currencies in cash brought in from outside the country or in the hands of residents inside the country that can be converted freely may be deposited into a foreign currency account.

Article 4: The time limit of deposits.

Such time deposits are divided into four schedules limited the deposit time to 3 months, 6 months, 1 year and 2 years.

Article 5: Currencies for deposits are limited to five kinds: U. S. dollars, British pounds, West German marks, Japanese yen and Hong Kong dollars. For other freely convertible foreign currencies, a depositor may choose freely one of the above-mentioned currencies and have it converted into the account at the foreign exchange quotation on the day of deposit.

Article 6: The initial deposit in the deposit account in foreign currency shall be no less than 150 yuan RMB in equal value.

Article 7: In applying to open an account, the depositor shall fill out a deposit application form, leave behind a specimen seal impression for identification or a written agreement specifying the methods of depositing and withdrawals before the deposit-taking bank issues a time deposit certificate with the depositor's name on it.

Article 8: Computation of interest for deposits

1. Deposits shall be paid interest in foreign currency computed according to the interest rate for individual foreign currency time deposits announced by the Bank of China.
2. In the event of interest rate readjustment involving the deposit, the interest incurred shall still be computed based on the interest rate at the time the deposit was made.
3. Interest for deposits renewed upon maturity shall be computed on the day when the deposits are renewed; interest for deposits past the drawing date upon maturity and without completing deposit renewal procedures shall be computed at the interest rate for Type-B current deposits at the day of drawing.
4. Interest for the portion of deposits drawn ahead of schedule shall be computed at the interest rate for Type-B current deposits at the day of withdrawal. The interest for the remaining portion shall still be paid at the interest rate when the deposits were first made.

Article 9: Drawing of Deposits

1. The drawing of deposits must be processed upon presentation of the deposit certificate and by way of matching the specimen seal impression for identification or as the result of a written agreement.
2. The principal and interest of the deposits may be converted into RMB at the foreign exchange quotation rate on the day of drawing to enjoy the preferential treatment for overseas Chinese remittance.
3. The principal and interest of a foreign exchange account may be remitted outside the country and an adequate amount of cash in foreign currencies may be drawn from it.
4. The principal and interest of a foreign currency account may be drawn in foreign currencies, but remittance of such monies outside the country must be approved by the Bank of China or foreign exchange control departments according to the amount involved.
5. A depositor or directly related members of his family receiving permission to leave the country may draw cash in foreign currencies from his deposit account and may present the exit documents to the deposit-taking bank for issuance of a certificate certifying the amount of foreign currencies to be taken out of the country.

6. The currencies drawn on deposits should be identical to those in the original deposits, if other currencies are to be converted, it should be done according to the foreign exchange quotation on the day the currencies are drawn.

7. In the event of special needs, the deposits may be drawn ahead of schedule with the concurrence of the deposit-taking bank.

Article 10: A depositor who loses the deposit certificate or seal should immediately report the loss to the deposit-taking bank by completing the procedure in a written statement and producing his personal identification. The deposit-taking bank, after verifying all facts as correct, shall replace the deposit certificate or change the specimen seal impression; the bank shall not be responsible whatsoever if the deposit had been drawn before the loss was reported.

Article 11: The deposit-taking bank is responsible to the depositor to keep the deposit confidential.

Article 12: This set of rules shall be in force on the day of its promulgation. "Rules of the Bank of China Governing Foreign Currency Deposits (Type-B)" promulgated on 26 May 1984 shall be abrogated at the same time.

12662/13104
CSO: 4006/418

FINANCE AND BANKING

YUNNAN PEOPLE'S CONGRESS DISCUSSES AUDIT WORK

HK180315 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 13 Dec 85

[Excerpts] From the afternoon of 11 December, the members attending the 18th meeting of the 6th provincial people's congress Standing Committee held group discussions on the auditing work report. During the discussion, the members stressed the importance of audit work and the necessity of strengthening leadership over audit work, consolidating audit organs at all levels, upgrading audit personnel, and bringing into play the role of audit organs in exercising power over audit work independently.

Vice Chairman Wang Lianfang said that audit work is the doctor and bodyguard of economic work. Therefore, properly carrying out audit work concerns the fulfillment of the Seventh 5-Year Plan and the smooth progress of reform. Leaders at all levels must put audit work high on their agenda, and effectively strengthen leadership over it. Moreover, it is necessary to give more publicity to audit work so that the masses can understand the responsibility, function, role, and position of audit organs and can establish the authority of audit organs. Audit organs must play the role of Baogong [an upright and honest official in China's Song Dynasty] in economic work. They must have the courage to uphold principles and deal with tough people and difficult problems. The central leadership recently called for effectively improving the style of administrative organs and removing various corruptions. Audit organs must perform their duty in dealing with this problem.

During the discussion, while affirming the achievements the province has made in audit work, the members also suggested many ways to strengthen and improve audit work.

Vice Chairman Yan Yiquan said that audit work was very important and the provincial CPC committee and government must pay serious attention to it. Two urgent things must be done at present.

1. It is necessary to appoint and transfer people to be in charge of audit work as soon as possible.
2. Necessary conditions should be created for audit departments to carry out their work.

Vice Chairman Qi Shan said that we have had no audit organs for a long time in the past and we have a poor understanding of audit work. Therefore, it is necessary to give much publicity to the work so that people can have a better understanding of the work. Audit organs are organs which supervise economic work independently. They must not only do audit work after the event, but must also do preparatory work step by step so as to avoid as many mistakes as possible. Audit legislation should be included in plan legislation plans of the people's congress so as to promote our legislation work.

/8309

CSO: 4006/463

FINANCE AND BANKING

CHARACTERISTICS, TRENDS OF CHINA'S FINANCIAL REFORM

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 47, 25 Nov 85 pp 27-28

[Article by Lao Zhang [0525 4545]: "Characteristics and Trends of Reform of China's Financial Management System"]

[Summary] The reform of China's financial management system is a matter of interest to the people of Hong Kong and overseas. This article has expounded and evaluated in details the effects, characteristics and tendency of the reform of China's financial management system in the past 6 years, it can be seen from here that the role of banking, finance, currency and credit as economic levers has been given more prominence and applied in China's economy.

[Text] Readers may still recall that for a very long period of time after the founding of new China in 1949, China's financial management system was "big and centralized" (meaning big in size and also overcentralized). At that time, the People's Bank of China was exercising its function as a central bank, on the one hand, and the function as a credit bank, on the other hand.

I. Results of Reform

In the 30 years between the founding of new China and 1978, the financial management system implemented in China did not effectively use banking as a lever for national economic development nor did it effectively strengthen macroeconomic regulation and control by applying monetary policy, currency was used as a means only at the time of dislocation of the national economy.

China embarked on economic reform beginning in 1979. The central task of this reform is to develop the socialist planned commodity economy, to give more decisionmaking power to the producers and operators and to further invigorate the economy. As shown in the financial field, China has devoted attention to developing banking, finance, insurance and consultation services. Deng Xiaoping suggested in October 1979 that "we should use the bank as a lever for economic development and technological innovation, a bank must be run as a bank in the true sense." Deng Xiaoping's remarks reminded Chinese financial circles that banking services and other related commercial undertakings should be greatly enhanced because the state is attaching importance to developing the commodity economy in a planned manner and putting more emphasis on market

regulation. Therefore, in the course of economic reform and under the circumstances when more funds are needed in various fields, a reform of the management system must also be carried out in the financial sphere so as to change the situation characterized by "big and centralized"; in the meantime guided by the policy of "invigorating the domestic economy and opening to the outside world," we should exercise macroeconomic control and bring about microeconomic flexibility and invigoration in the financial sphere. Very obviously, if Chinese financial circles were to fail to give a quick response to the reform, they might possibly impede its progress.

China's financial circles have played their new role in an inspired manner in the past 6 years. The financial circles have carried out a series of reforms and achieved notable results in structural organization, fund management, monetary policy, the scope of credit, interest-rate structure and in raising foreign capital. For 6 years, the banking business has been developing rapidly and steadily, there has been a marked increase in deposits and loans, thereby raising funds needed in the four modernizations drive and readjusting and in a timely manner avoiding serious problems that emerged in the course of economic development. For instance, during the second half of last year, especially during the fourth quarter when credit funds and consumption funds were not rigidly controlled, more currency was issued; this together with the impact of the unhealthy tendency of indiscriminate price hikes had brought up the price of some commodities. However, following a series of measures taken successively by China's banks, the momentum for sharp increases in loans has begun to turn around during the first half of this year, the withdrawal of currency from circulation is becoming normal and national economic development is progressing smoothly.

II. Characteristics of Reform

The main characteristics of the reform of China's financial system in 6 years are:

1. China's economy situation has undergone drastic changes since 1979, measures for managing the product economy have replaced the measures for managing the commodity economy. The commodity market, technology market, labor service market and fund market have appeared in economic life, as a result, intervening, organizing and regulating economic life by means of money, funds and value become the bounden functions and tasks of great urgency of banks in China.
2. As the economic situation changes, reform has also been initiated in the financial system in fund management, in setting up organizations and in the form of credit, thereby streamlining the channels of transfer and contacts within the various economic mechanisms between the financial system and the banking system. In September 1983, the State Council decided that the People's Bank of China should specifically exercise the functions of a central bank, this was the first time since the founding of new China that the central bank was specifically set up. It shoulders the responsibility of macroeconomic control and regulation. Under the central bank, some specialized banks were set up, restored and expanded one after the other. For

instance, the Bank of China, the Agricultural Bank, the Industrial and Commercial Bank and the People's Construction Bank have all become independent economic entities. In addition, the International Trust and Investment Corporation of China was established in 1979 and the Investment Bank of China was founded in 1981 with funds provided by the World Bank. The establishment of these two new financial institutions has expanded not only the scope of China's banking business but also the scope of fundraising. At present, the Chinese Government also permits the existence of various nonbanking financial institutions such as trust companies and leasing companies. According to incomplete statistics, in addition to the 26 trust and investment companies at the provincial, municipal and autonomous regional levels already set up with the approval of the central bank, another 300 provincial, prefectural and county and people-financed financial institutions of various categories throughout the country which were established prior to approval have started activities in collecting and circulating funds.

3. Reform of the fund management system. One way is to gradually change interest-free allocation of funds for investment in China's long-term capital construction projects that required no repayment in the past into bank loans subject to interest payment and repayment of loans. At the same time, the interest rate on loans for fixed assets should be raised and the scale of capital construction controlled by using the interest rate as a lever. All receipts and expenditures involving credit should be channeled into the state credit plan. Another way is to deal with the circulating funds of all state enterprises through bank loans and control measures changing the past practice of providing part by the state through financial allocation and part in the form of bank loans. All those who borrow from the banks must have some of their own funds in possession so as to systematically do away with the practice of "eating from the same big pot" of the bank by the public step by step.

4. Attaching importance to the role of monetary policy in regulating the macroeconomy. For many years, as day-to-day economic regulation was being ignored, the concept of executing plans only took shape due to the defective economic, planning and fund management system. Since the fourth quarter of last year, there has been an excessively sharp growth in the scale of investment in fixed assets and in consumption funds, an excessive amount of credit was extended and expenditures in foreign exchange were overwhelming, bringing forth a tendency detrimental to economic development and the current reform. To counter this, the state has resorted to intervention by means of monetary and funding policies and by adopting a series of measures for a solution, such as, for example, by controlling the scale of credit, the scale of investment in fixed assets, the extension of foreign exchange loans and the scale of consumption funds. By the first half of this year, necessary readjustments have been made nationwide to curtail the excessive extension of credit and expenditures in foreign exchange.

5. Three major reforms were introduced in the scope of credit. One, loans for technological transformation in the nature of investment in fixed assets were increased in support of the tapping of potential, innovation and renovation of old enterprises. Two, restrictions of extending loans only to

material production departments and circulation departments in the past were revoked, loans are also made available to nonproductive professions and trades, such as business units in scientific research, culture and education, health and tourism. Three, loans are also granted in support of various new and developing economic forms, such as collective households in cities, urban and rural individual households and joint enterprises and specialized households in the countryside.

6. Coping with the need of opening to the outside world economically, the restriction of not to raise foreign debts that has been in force for a long time was changed and a new situation of multilateral contacts and many-sided cooperation with international financial circles has developed. In the past, China centralized the collecting and circulating of foreign capital on the Bank of China alone, but now the central authorities and large cities can import foreign capital through multiple channels. At present, the amount of foreign capital promised and raised through banks has reached \$30 billion, in the meantime, China's financial institutions have also joined certain international banking groups in joint loans and in establishing international financial services in trust, investment, joint ventures, consultation and leasing. China has issued bonds in the international financial market. To link up the channels of utilization of capital from abroad, foreign-capital banks and joint-ventures banks will be permitted to carry on banking business in SEZ's. The business scope of the four banks funded by foreign capital and overseas Chinese capital originally operating in Shanghai has also been expanded recently.

China has started the business of discounting commercial promissory notes from April this year. The implementation of this measure is of vital significance in enhancing the vitality of China's enterprises.

The state's credit has again reopened after being shut down for 20 years. The central bank has announced recently that individuals and enterprises holding treasury bonds separately may either discount them or use them to secure a loan at the bank.

The entry of stocks and bonds into the cities and the countryside in recent years has made public fundraising very active. The active free lending and borrowing among the people and the commercial credit and the relatively fast development of the trust business and other phenomena in the vast urban and rural economy have conclusively shown that the basic factors for forming a financial market existed in China's present-day economic life.

III. Trends of Reform

In reference to the principles governing China's reform of the financial and monetary systems, people in financial circles pointed out that the focal point of reform of the Bank of China system in the next few years will be the skillful application of the economic lever of credit and giving dynamic play to the bank's role in macroeconomic regulation.

With the reform of China's planning system, the reduction of the scope of mandatory planning and the expansion of the planned commodity economy can be expected and the leeway for China to apply its financial means will also be rapidly expanded. The banks are facing an arduous task of keeping major issues under effective control and letting go of minor issues flexibly.

In keeping major issues under effective control, most important of all is to keep abreast of the growth of monetary credit so as to maintain stable national economic growth.

In letting go of minor issues flexibly, we will have to keep on improving and reforming credit management, credit tools, procedures governing deposits and loans, variety of services, the setup of organizations and the utilization of foreign capital so as to provide the maximum convenience to depositors, borrowers and fund users.

People in financial circles are of the opinion that as the reform of China's financial system develops in depth, before long, China will have a financial system of effective macroeconomic control and microeconomic flexibility that can be handled very skillfully; in China, financial centers of many levels, each unique in form and of different in scale and backed by cities will gradually take shape, with the central bank as the core, to coexist with various kinds of financial institutions.

12662/13104
CSO: 4006/418

FINANCE AND BANKING

XUE MUQIAO ON PRICE RISES, IMPROVED LIVELIHOOD

HK230321 Beijing RENMIN RIBAO in Chinese 16 Dec 85 pp 1, 2

[Article by Xue Muqiao [5641 2550 2890]: "Changes in Prices and the People's Livelihood in Our Country in the Past 6 Years"]

[Text] From 1978 to 1984, there were very notable changes in commodity prices and the people's livelihood. On the one hand, the prices of goods rose markedly, and on the other hand, the people's livelihood also notably improved. On the surface, these two changes were in conflict with each other. For a long time, we have often publicized the idea that stabilizing prices is our party's fundamental principle and stable prices of goods are a necessary guarantee for the stability of our people's livelihood. This propaganda has struck such a deep root in the hearts of our people that any rise in the prices of goods may create anxiety in the minds of our people who think that any increase in prices will certainly lower their living standard. Since the 3d Plenary Session of the 11th CPC Central Committee, in order to straighten out our economic relations and speed up the development of our national economy, particularly our agricultural production, our party has gradually readjusted the prices of goods. Over the past few years, there have been relatively great increases in the prices of agricultural products which have caused our agricultural production to grow relatively quickly. Our urban and rural people have been pleased to see the rapid development of our agricultural production, but their response to the increases in the prices of agricultural products differ. The peasants are very pleased, but most of our urban people tend to oppose these increases. Why have there been such different responses? Because our peasants are producers of agricultural products while urban people are consumers of these products. Concerning the price issue, the interests of producers and consumers are always in conflict.

I have time and again said that fundamentally, the improvement of people's livelihood is not determined by the stability of prices of goods, but is determined by the pace of the development of production. From 1952 to 1978, our country always stressed stabilizing the prices of goods. The prices of our agricultural products were time and again increased, but the degree of increase was so small that it failed to compensate for the rise in the costs of our agricultural production (as agricultural production is restricted by natural conditions, the greater the output, the higher the costs). This reduced our peasants' initiative in developing their production. During those 26 years, our grain output increased roughly the same percentage as our

population. Because of the increase in our urban population, in order to ensure the grain supply in our cities, we had to impose purchase quotas on our peasants. The grain that was left for our peasants after fulfilling the purchase quotas was so little that in order to satisfy the demand of their livelihood, most of our peasants had to substitute gourds and vegetable for grain, eating solid food in busy seasons and liquid food in idle seasons. During the 10 years of turmoil, millions of cadres went to "7 May cadre schools" to take part in rural labor and over 10 million educated youths settled down in rural areas to labor there. At that time, they saw with their own eyes what kind of life the peasants were leading and perhaps have not forgotten this yet.

In late 1950's, there was not only a shortage of grain, but also an increasingly serious shortage of non-staple food. Therefore, the method of imposing purchase quotas was adopted for purchases of pigs, eggs, and other non-staple products. This reduced the peasants' initiative in producing non-staple food. Non-staple food was supplied by ration in our cities and the ration was very small and in fact restricted the improvement of people's livelihood. The reality of the 26 years fully proved that maintaining prices of goods stable by means of imposing purchase quotas and a state monopoly over purchases, assigning purchase tasks, and supplying goods by ration was necessary under the situation then, but from a long-term point of view, it was detrimental not only to the development of our agricultural production, but also to the improvement of the living standard of our urban people.

The 3d Plenary Session of the 11th CPC Central Committee began to break with the outdated ideas of the past. In order to encourage our agricultural production to develop quickly, in 1979, we sharply increased the prices of our agricultural products (increasing the purchase price of grain but not the sale price) increasing the prices of eight kinds of major non-staple food. The wages of our staff members and workers was increased to compensate for the increase in prices (by 5 yuan for each person). That year, and the following year--1980--saw a great increase in the production of grain, cotton, and various kinds of non-staple food. The supply of pork and eggs exceeded the demand and became unrestricted by ration. The peasants' income increased, their production rose, and their livelihood improved correspondingly. There was an ample supply of non-staple food for our urban people, who also had their living standard improved, consuming more non-staple food such as pork, fish, poultry, and eggs, and switching from demanding enough food to demanding better food. Of course, the 5-yuan food subsidy was calculated at the previous living standard. As more non-staple food was consumed and as the quality of food improved, the increase in the cost of living exceeded the subsidies they got; therefore, many people continued to complain about the rise in the prices of non-staple food. We should not fail to notice that in the past few years, wages (including bonuses) rose very quickly, far more quickly than prices of goods did, therefore, the living standard of our people has notably improved. They have been better fed and more handsomely dressed and their purchases of high-grade durable consumer goods such as color television sets rose quickly. At the same time, our urban and rural people's bank deposits continued to rise sharply year by year. Has our people's living standard improved or worsened during the price readjustment? Obviously, it has improved. Now, I am going to supply some of the figures that I have collected for reference.

In the 6 years from 1978 to 1984, the retail price index rose by 17.7 percent and the staff members and workers living expenditure price index rose by 19.9 percent (both listed and market prices were included in the calculation). Food prices rose most by 26.9 percent (only state listed prices were taken into the calculation). During the 6 years, the purchase prices of agricultural and sideline products rose by 53.6 percent, greater than the increase in purchase prices. That was because only the purchase prices but not the sale prices of grain and oil were increased and the purchase prices were higher than the sale prices and the losses caused were subsidized by the state. In 1985, as there was another increase in the price of non-staple food and in addition, as there was an excessive increase in wages and bonuses, the price hikes were greater than those in the previous few years.

During the past 6 years, the average consumption of our urban and rural people rose by 86.9 percent or by 57.7 percent after deducting the increases in prices of goods. The per capita income of our peasants rose by 165 percent or 144 percent after deducting increases of prices of goods; that of staff members and workers rose by 58.6 percent or 32.3 percent after readjustment for inflation. The per capita quantities of actual goods consumed by our urban and rural people were: Food [word indistinct] consumption rose from 391 to 503 jin or by 28.6 percent; edible oil rose from 3.2 jin to 9.4 jin or by about 200 percent; and pork rose from 15.3 to 26 jin or by 70 percent (peasants' consumption of grain and oil, particularly grain, rose by a greater percentage than that of staff members and workers). The per capita consumption of cloth of various kinds rose from 24.1 to 32.5 chi or by 35 percent. The per capita purchases of consumer goods for daily use rose from 28.8, to 67 yuan or by 132.6 percent. To be more concrete, the number of bicycles per 100 people rose from 7.7 to 18.8 or by 144 percent, that of television sets per 100 people rose from 0.3 to 4.6 or by over 1,500 percent; and that of radio receivers per 100 households rose from 7.8 to 21.6 or by 177 percent. These figures have taken into account both the urban and rural areas. In our cities, nearly every staff member and worker has a bicycle and about 90 percent of the families of our staff members and workers have their own television sets. They are replacing black-and-white television sets with color ones. Nearly every family has one or two radio receivers and many families have radio-cassette recorders, refrigerators, washing machines and so on. Does this not prove that the people's living stand has indeed improved?

Can the increase in the prices of non-staple food be dispensed with? Now, it cannot. Without the price increases there would not have been so great a supply of non-staple food. In the past, pig and chicken breeding was a family sideline undertaking and a household bred at most about a dozen chickens and a few pigs. The chickens were allowed to look for their food in the field and green plants were used as a portion of the food for pigs. Now, the family sideline breeding industry has already failed to satisfy the demand of our urban residents and special households that each breed some 100 pigs and several hundreds or thousands of chickens and even larger scale pig and chicken farms have emerged. In conducting production on such a large scale, grain has to be

used to feed the animals (4 jin of low-quality grain is necessary for the production of 1 jin of pork). As a result the production costs have risen greatly. Over the past few years, as there has been an increasingly great portion of grain that has been purchased in excess of the quotas and at preferential prices, grain prices have risen year by year. Pork, eggs, and other non-staple food prices which were fixed in 1979 are now too low and supplies of these goods gradually contracted; therefore, there had to be another price hike this year. During the past years, many small cities have freed the prices since long ago and most of our medium-sized cities have also freed prices. Only a small number of cities did not begin to remove price restrictions until last year and this year. In the cities where the prices of non-staple food have been freed, the prices have already risen long ago (as small cities are located near rural areas and mainly rely on sideline undertakings for supply, the prices have not risen much). Therefore, this time we did not adopt the method of a general price hike, but freed prices, thus allowing prices to fluctuate along with the changes in the relations between supply and demand. Since the prices of non-staple food were freed, they have on average risen by 20-30 percent. The increases have been smaller than those in our medium and small cities, but greater in our large cities. Among the non-staple food, the prices of eggs which were freed long ago have risen relatively little while those of live fish have risen very greatly. Since the prices were freed, the supply of non-staple food in our market has increased greatly and the per capita consumption of food this year will be even greater than that of last year.

This year, the prices of vegetables have also been freed and peasants are allowed to enter the cities to sell their vegetables at negotiated prices. They supply many varieties of fresh vegetables. Generally speaking, there have been increases in vegetable prices (some of the increases are due to the improvement in quality). The market prices are higher than state listed prices in off seasons and lower than them in busy seasons. The increases in vegetable prices in the past few years were also because of the increase in demand, in particular because of the necessity to increase variety and to supply vegetables in all seasons. Therefore, it is necessary to grow many kinds of vegetables in hot houses instead of in the open. This has caused a big increase in costs. In the past vegetables were mainly supplied from the outskirts of the cities, but now areas with different climates have to exchange their goods and carry goods over long distances. This has also contributed to rising costs. Generally speaking, the result of freeing vegetable prices is very satisfactory, but as there is wide seasonal fluctuation in vegetable supplies and as state vegetable shops had monopolized vegetable sales for many years, for a short time, peasants and traders were all unable to clearly understand the law governing the relations between supply and demand. As a result, prices have fluctuated drastically as the relation between supply and demand changes. Our state-owned shops should participate in the regulation by market mechanism in order to regulate the relation between supply and demand, relatively stabilize prices and give further guidance to vegetable growers and traders. However, now our state-owned shops have fallen far short in learning how to regulate by market mechanism. In busy seasons, their prices are higher than market ones and no one comes to buy vegetables from them

and they have to shift to selling articles of daily use. As soon as the off season comes and there is a shortage of supply and an increase in prices, they are at a loss what to do and compelled to restore the state monopoly over purchases and sales. We should adhere to the principle of freeing prices, but I am afraid that our state-owned shops, vegetable traders and vegetable growers will take several years to learn how to adapt themselves to the regulation by market mechanism. The key is that our state-owned vegetable shops should be clear about the laws governing the supply and demand of various vegetables and be able to play a role in guiding vegetable growers and traders in the course of the regulation of market mechanism. It is an objective law that vegetable prices have to rise and fall along with the seasonal fluctuation of the supply. The prices should not be fixed unchanged like those of manufactured goods. However, if our state-owned commerce does not give exercise its role of guidance and regulation and allows vegetable production to develop blindly and prices to rise and fall too sharply, not only the consumers but also the producers will suffer losses. In this sphere, our state-owned vegetable shops should gradually find a mature set of experiences. No large city in the world can rely merely on the local supply of vegetables. As climate and busy and off seasons vary in different areas, various areas should supply each other with their surplus to offset their shortages.

Our country's reform in the non-staple food price administration system this year is aimed at solving the problem that all socialist countries want to solve but find difficulty in solving. Many foreign experts and scholars have spoken highly of this reform. At home, 800 million of our rural people are jubilant about the price increases which have caused their income to rise, and are working hard to increase production. A fairly large portion of our 200 million urban people are very indignant about the price increases and say that since the price increases, the living standard of our people has dropped. I have published some articles on this and received much sincere criticism. One of the letters that I have received says that people all cherish the memory of the stable prices of goods in the 1960's and are willing to recover the general price level and wage level of the 1960's. If so, then let us return to the living standard of the 1960's when the per capita monthly ration of pork was 0.2-0.5 jin (1 jin only in the two large cities--Beijing and Shanghai), when live fish supply was rare and there were only a few varieties of vegetables. Do most of our people want this? Another letter says that in the early 1960's when I was the chairman of the Committee of Commodity Prices, I was able to maintain stable planned prices and lower the prices at fairs. It asks why I now uphold giving up the planned prices and substituting market prices for listed prices. The early 1960's was a period of 3 years of difficulties after the Great Leap Forward. At that time, the price of pork rose to 5 yuan a jin in fairs, eggs cost 0.5 yuan each and grain cost 1 yuan a jin. In order to stabilize the prices of goods, the state imposed a ration of 0.2 jin of pork for each person. In our cities the cotton cloth ration was 6 chi while in our rural areas, it was 3 chi. At that time, we also wanted to increase meat prices in order to enable urban people to eat more meat, but our peasants did not even have sufficient food grain to eat. How could they get the food to breed more pigs? The situation is quite different now. Our peasants have a grain surplus and the state is able to allocate tens of billions of jin of food grain for preferential sale to peasants in order to encourage them to breed pigs and chickens. The state also pays subsidies for the increases in the

prices of non-staple food. As the range of increases varies in different areas, the amount of subsidies also varies. At the previous consumption level, the subsidies are enough to cover the increases in non-staple food prices. As the living standard has improved and more and better non-staple food has been consumed, there has still been an increase in expenditure. But the increases in wages and bonuses have been even greater and people still have surplus money to increase their savings in spite of the increases in their expenditure. In 1978, the total balance of the urban and rural people's bank deposits was 30.9 billion yuan, but last year it rose to 114.9 billion yuan, 200 to 300 percent more than that in 1978. The increase during last year alone was 18.5 billion yuan. What have we to complain about?

Some comrades said that my statistics were not correct. They cited the price of live fish as an example to prove that at 3 yuan a jin now, its price has doubled. Just recall the past. In 1978, live fish were rare and even 2 years ago were in fairly short supply. Now, it is available every day. Other comrades complained that the price of lean pork rose to over 2 yuan. I would like to ask them to recall the 1960's when people rushed to buy fat pork because of the lack of fat in their food. Now, as there is much fat in their food, those who are well off want only lean pork but no fat pork. This has caused lean pork to become expensive and fat pork to become cheap. Does this not indicate a notable improvement in people's livelihood? Still other people said that the price of crabs was 30 yuan a jin and used this to prove that the prices of goods had risen by nearly 900 percent. I went to Shanghai last summer and the price of crabs then was 8 yuan a jin. I thought that it was expensive and bought none. Later, as travellers from Hong Kong rushed to buy crabs, the price rose drastically to 30 yuan last autumn (it has dropped now). Since Hong Kong compatriots were willing to pay 30 yuan a jin for crabs, there was nothing wrong with the price. I think that except for high-grade banquets, no one in Shanghai is willing to pay 30 yuan a jin for crabs. In the 1960's, there was no fish supply, but now there is fish and meat. Is crab an indispensable food?

In the past, many comrades regarded supplying goods by ration and thus maintaining stable prices as an advantage of socialism; therefore, they cherish the memory of the 1960's. This understanding is wrong. In adopting that policy, we will not be able to increase the supply of non-staple food nor be able to improve our people's living standard. If we only take care of the customers' interests, but not the producers' interests, it will be impossible for us to develop production or to satisfy consumer demand and our living standard will always be maintained unchanged. This was the case in the period from the late 1950's to early 1970's. Since 1979, we have changed our policy and thus greatly increased the supply of commodities, particularly food, and thus markedly improved people's living standard. Which period is better, if we compare these two periods? The prices of goods in the main, the prices of non-staple food, have indeed increased and the people's living standard has indeed improved. This is the only correct evaluation that conforms to the reality. Many comrades only want an improvement in their living standard and resolutely oppose the readjustment of prices of goods, particularly opposing the increase in the prices of non-staple food. In doing so, they fail to see that if the prices of non-staple food do not increase, production will not grow and it is impossible to improve our people's living standard (related to food). I hope that this issue is widely publicized.

FINANCE AND BANKING

BRIEFS

NEI MONGGOL INDUSTRIAL PROFITS, TAXES--By the end of November, the industrial enterprises in Nei Monggol Autonomous Region had handed over 908.31 million yuan of profits and taxes to the state, prefulfilling the fixed annual target by 1 month. [Summary] [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 16 Dec 85 SK] /8309

JILIN TAX COLLECTION--Tax departments in Jilin Province have prefulfilled the annual tax revenue target by 21 days. As of 10 December, the province collected a total of 2,267,640,000 yuan in industrial and commercial taxes, overfulfilling the state-assigned annual target by 9.3 percent, overfulfilling the provincial-assigned above-norm target by 0.8 percent, and registering an increase of 36.1 percent over the corresponding period last year. [Summary] [Changchun Jilin Provincial Services in Mandarin 2200 GMT 16 Dec 85 SK] /8309

GUANGDONG FINANCIAL, TAX INSPECTION WORK--The province has scored remarkable achievements in this year's financial and tax inspection. By the end of November, the province cracked and dealt with the unauthorized and illegal use of 521 million yuan in various cases. Some 156 million yuan have been recovered and submitted to state treasury. The provincial financial and tax inspection office held a meeting today to sum up financial and tax inspection work in the province. The meeting made arrangements for financial and tax inspection in the province at the end of the year and the beginning of next year, and demanded that all units grasp the inspection in connection with correction of malpractices, focus on key units and reinspection, and ensure the quality of the inspection. All units must examine and square accounts in connection with yearend settlement. The focus of the inspection should be placed on new units, units beyond state budget, combined units, and contracting units. Meanwhile, it is necessary to correct malpractices and submit recovered money to state treasury while carrying out the inspection so as to make the financial and tax inspection a success from beginning to end. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 18 Dec 85] /8309

GUANGDONG AGRICULTURAL LOANS INCREASE--Agricultural banks and credit cooperatives at all levels in the province have taken new measures to support 47 counties in the province mountainous areas to develop the economy. From January to October this year, they granted a total of 1.08 billion yuan of various loans to the counties, an increase of more than 30 percent over the same period in 1984. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 17 Dec 85 HK] /8309

CSO: 4006/463

MINERAL RESOURCES

BRIEFS

XINJIANG MINERAL DEPOSITS--Recently, the east mining district in Mt. (Huangshan) Hami, which was listed among China's key prospecting projects in 1983, was assessed as having large copper and nickel deposits. The major mineral deposit is nickel. Other nonferrous metals include copper, cobalt, silver and so on. It is estimated that the copper and nickel deposits of the mine total more than 200,000 tons. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 17 Dec 85 HK] /8309

CSO: 4006/463

INDUSTRY

SHANGHAI FULFILLS SIXTH 5-YEAR PLAN OUTPUT VALUE TARGET

Shanghai SHANGHAI GONGYE JINGJI BAO [SHANGHAI INDUSTRIAL ECONOMY] in Chinese
10 Oct 85 pp 1, 4

[Article: "A Grand Blueprint, A Magnificent Reality--Shanghai Fulfills Gross Output Value Under Sixth 5-Year Plan 1 Year Ahead of Schedule, Bringing in New Situation of Sustained, Steady and Proportionate Industrial Development"]

[Text] The grand blueprint drawn up for the Shanghai industrial front in the Sixth 5-Year Plan has now become a magnificent reality. Shanghai has fulfilled 1 year ahead of schedule its total industrial output value target that reflects the industrial level and scale, other industrial targets have also been basically fulfilled. New industrial departments have kept on emerging, new industrial technology is being used extensively. A new situation of sustained, proportionate and steady development heretofore unknown in Shanghai's industrial history has appeared.

Shanghai Industry Develops Healthily, Steadily and in a Down-to-Earth Way

As the restructuring of the urban economic system deepens, Shanghai's industrial system has also systematically tested a series of economic reforms in selected localities, such as simplifying administration and delegating power and revitalizing enterprises, thereby greatly mobilizing the enterprise enthusiasm for production and business operations and the zeal of workers and staff members. Moreover, industrial enterprises have also found added vitality, potential is being given full play and the rate of industrial production growth is accelerated year after year. The early period of the Sixth 5-Year Plan was at the high tide of readjustment, as a result, we had a slow start. The industrial growth rate in 1981 was only 3.4 percent. With the rapid surge of the national economic situation, Shanghai's industry had begun to change from recovery growth to actual growth, in the 2 years that followed 1981, the annual industrial growth rate was registered at 4.6 percent and 6.6 percent, respectively. By 1984, the year of the reform, Shanghai's industrial system was like a tiger that had grown wings advancing in accelerated speed month after month and quarter after quarter. The wider margin of increase pushed annual growth up to 9.7 percent, thereby reaching the 1985 target prescribed by the Sixth 5-Year Plan and raising the average

growth rate of the preceding 4 years to 6 percent, which surpassed the predetermined target of guaranteeing 4 percent but striving for 5 percent growth drawn up for Shanghai under the Sixth 5-Year Plan. Shanghai industrial development is going very well this year, it is expected that the industrial growth for 1985 will exceed 10 percent thus putting the average growth rate of Shanghai's industry during the Sixth 5-Year Plan period on a scale of more than 7 percent.

Of the major Shanghai manufactured industrial products listed in the Sixth 5-Year Plan, more than 80 percent of the varieties are expected to fulfill or overfulfill the stipulated in-kind output target, of which more than half of the varieties has already fulfilled the plans from 1 to 2 years ahead of schedule. Some varieties of goods urgently needed in national economic development and by the people come under this category, such as rolled steel, cement, plate glass, chemical fertilizer and farm chemicals. There has been an increase in the output of a new generation of high-grade durable consumer goods from severalfold to several dozen times, such as washing machines for household use, refrigerators for household use, tape recorders, cameras, color television sets and so forth. During this period, all varieties of marketable goods registered a marked increase thereby bringing about an unprecedented scene of prosperity in the industrial consumer goods market during the Sixth 5-Year Plan period.

Synchronous and Proportionate Development of Heavy and Light Industries

Inspired by the six priority policies, Shanghai's light industry has developed quite fast during the Sixth 5-Year Plan period. Proceeding from the needs of three markets, the light industry system has energetically pioneered and developed various kinds of quality, brand name, characteristic and new-type consumer goods for daily use that are suited for multilevel consumption, as a result, there has been a gratifying change in the product mix of Shanghai's light industry products. The output proportion of marketable multifunctional electrical applicances for household use, such as double-tank washing machines, double-door freezers and double-track high-fidelity recorders all registered at more than 50 percent thus changing the past situation of "having only exhibits but no merchandise." It is estimated that the output value of light industrial products in 1985 will increase by more than 30 percent over 1981 increasing at an average annual rate of 8 percent. In light industry, the proportion of products using farm produce as raw material has dropped from 61.3 percent in 1980 to 55 percent in 1985; the proportion of products using nonagricultural products as raw material has jumped from 38.7 percent to 45 percent. Shanghai has always been relying mainly on using agricultural products as raw materials for its light industry development however this passive situation is now reversing. After new readjustment and transformation, heavy industry's service scope has kept on expanding and its productive capacity is rapidly strengthening, the heavy industry system is energetically providing materials and equipment for the construction of the state key projects and the technological transformation of existing enterprises. New industries, such as petrochemicals, electronic computers, new-type materials, precision meters and instruments, digital-controlled machine tools and laser communications have gradually developed from scratch during the Sixth 5-Year Plan period and now possess considerable productive capacity. As an equipment

department in the entire national economy, the machine-building industry ranks higher than heavy industry; it is developing at an average annual growth rate of 6 percent, and its 1985 output value is expected to account for more than 30 percent of that of the whole city. There have been gratifying changes in the product mix; by energetically implementing the "three ups and one elevation" development policy and vigorously developing seven kinds of mechanical and electric products [motor vehicles, tractors, internal-combustion engines, industrial boilers, water pumps, pneumatic machines and medium and small power-operated machines] that represent technological progress by the No 1 Mechanical and Electrical Bureau, it is estimated that the proportion of these seven kinds of products will account for 35 percent of the Bureau's total output value by the end of Sixth 5-Year Plan period. The electronic industry as a pilot industry is developing even faster, at an average annual growth rate of more than 15 percent; the proportion of the consumer electronic products of the instrument and meter bureau has jumped from 16 percent during the early planning period to the present 35 percent, thereby creating conditions for Shanghai to enter into the electronics age. The shipbuilding industry that represents a country's industrial comprehensive level has also made great strides forward in the recent 5 years in which a total of 333 ships of various categories totaling more than 1.4 million tons have been built. Most of them are 10,000-ton ships, ships for export, container ships and special-type ships, this shows that Shanghai's shipbuilding industry is nearing the world's advanced level. The first-phase construction project of the Baoshan iron and steel complex listed as a state key construction project has been basically completed, the No 1 blast furnace has begun trial production. This signifies that our country's iron and steel industry has made an important stride on the road to modernization which has very far-reaching significance for our national economic development and the four modernizations. This project in which our country has invested the most heavily to date will certainly give impetus to Shanghai's industrial production. Last year, the second-phase construction of the Shanghai petrochemical general plant was also basically completed and entered into the trial-production stage, it will also provide more raw material of good quality at cheaper price to the Shanghai textile industry to contribute toward production that will make the people look better.

Accelerate Industry Technological Progress

Shanghai's industry has made progress in technological transformation both in depth and magnitude during the Sixth 5-Year Plan period, reflecting that investment for technological transformation in industrial production has increased year after year. In the 28 years preceding the Third Plenum, the annual average amounted to only 240 million yuan; in 1980 it exceeded the total amount of depreciation of fixed assets in that year for the first time. During the Sixth 5-Year Plan period, the annual increase comes to more than 20 percent, which can not be compared with the several preceding 5-year plans. This has brought about initial changes in technological equipment and production installations of this old industrial base in Shanghai. Between 1981 and 1984, more than 9,000 projects costing more than 50,000 yuan under units of state ownership were put into operation after updating and renovation. Import of technology as another wheel propelling the technological development

of Shanghai industry is rolling at accelerated speed. Since import of technology was started in March 1983, contracts have been signed for more than 800 items with volume of business totaling \$840 million, hence the funds imported in the recent 3 years are more than 200 percent greater than the sum total in the preceding 10 years. Technological transformation and import of technology carrying out simultaneously have brought about some changes in the backward appearance of some vital professions and trades in Shanghai. For example, after restructuring the enterprise system and reforming the outmoded technological process and the product mix, some old enterprises of Shanghai's ferrous metallurgical industry have been rejuvenated. Advanced technology representing the direction of development of the contemporary metallurgical industry in electric furnace refining, continuous ingot casting and high-speed wire-rod processing has electric furnace refining, continuous ingot casting and high-speed wire-rod processing has scored initial results by relying on funds self-financed by the enterprises themselves and by the methods of independent designing and development in recent years. Plans are being made at present to popularize these advanced techniques step by step from selected points to general areas within the industry. During the Sixth 5-Year Plan period, the ratio of continuous ingot casting among professions and trades rose from 27 percent to 30 percent, the proportion of low-alloy steel jumped from 10 percent to 15 percent, the proportion of fine-quality steel went up from the original one-fourth to the present one-third. Now Shanghai's steel output in 1 day is much greater than the steel produced in 2 years in old Shanghai. Shanghai's steel output in 1984 broke the 5 million-ton mark.

High Economic Results During Restructuring

With the progress of the restructuring of the urban economic system, the decisionmaking power of enterprises in production and management is gradually expanding and virtually adding more vitality to the enterprises. According to incomplete statistics, more than 400 enterprises throughout the city have experimented with the factory manager responsibility system; industrial enterprises under the state ownership have basically completed consolidation, large groups of "six-good's" enterprises and "civilized" factories have sprung up like bamboo shoots after a spring rain, restructuring has given impetus to the development of the productive forces in society and economic results have kept on improving in the course of reform. The full labor productivity of state-owned industries broke the 30,000-yuan mark last year, it is expected that it will reach 32,700 yuan this year on top of last year's high level. During the first 8 months of this year, the full labor productivity rate of the state-owned industries increased 8.5 percent in spite of an average 0.3-percent reduction in the number of workers and staff members. This has brought forth a brand new situation of increasing production by reducing personnel which was unheard before; it has also revealed the broad prospects and the tremendous potential of Shanghai's industry which has begun to expand reproduction by switching from extensive to intensive means. The good-quality rate of Shanghai industrial products at present is over 20 percent; last year alone, 115 products produced in the city won gold and silver awards from the state.

During the Sixth 5-Year Plan period, Shanghai's industrial system has achieved notable results by insisting from beginning to end on achieving production increase, effectiveness and progress through energy conservation. The industrial energy conservation work, which began with securing movable assets by taking care of evaporation, oozing, dripping and leaking, is now developing toward the direction of scientific energy management. During the Sixth 5-Year Plan the annual energy consumption of energy by Shanghai industry increased only 2.6 percent, which is much lower than the rate of development of Shanghai industry for the same period. There has been a noticeable drop in the elasticity coefficient of energy along with a marked decrease in the comprehensive energy consumption in relation to output value; the energy consumption per 100 million yuan in output value dropped nearly 20 percent as compared with that in 1980. The amount of energy conserved by Shanghai enterprises in 5 years is considerable, equal to one-fifth of the amount consumed at present in 1 year by industries throughout the city.

The sustained and stable growth of Shanghai industry has begun to reverse the situation of reduced income in spite of increased production that lasted for 3 years running due to such factors as raw material readjustment and profit yielding by industry. This has initially brought about the favorable tendency of simultaneous increase in revenue and industrial production. During the Sixth 5-Year Plan period, industrial enterprises maintaining an independent accounting system in the city have paid tax on profits amounting to more than threefold the original value of the fixed assets in the hands of the industries in the city at present.

Shanghai industry has scored great success during the Sixth 5-Year Plan period, but we should clearly realize that the success is due to the support from various provinces and municipalities across the country and the wise policy decisions of the central authorities. We should also be aware of the problems which have cropped up in the course of development: The external environment of Shanghai industry is not too harmonious; the industrial structure is not very rational; the ratio between industry and the tertiary industry is still not proportionate. We should calmly think over the historical issues which have accumulated in the old industrial bases and the new issues and new topics that have appeared in the course of reform and opening to the world and solve them in a positive and reliable way.

12662/9435
CSO: 4006/286

INDUSTRY

JIANGSU INDUSTRY BOOMING, BUT CERTAIN CUTBACKS URGED

Nanjing XINHUA RIBAO in Chinese 12 Sep 85 p 1

[Article by Wang Zhisan [3769 2784 0005]: "Industrial Production in Jiangsu Progressed Well During First 8 Months of 1985; Marketable Goods Have Increased Rapidly and Economic Returns Have Been Good; Growth Rate Is Still High; Most Cases of Problems in Product Quality That Have Been Brought to Light Still Have Not Been Resolved; Certain Low-Profit Commodities Have Not Substantially Increased Production"]

[Text] Industrial production in Jiangsu Province from January to August this year has been good. There has been a rapid increase in the production of goods suitable for sale and economic results have been relatively good. The production of energy resources and the primary raw and processed materials have kept pace with the planned schedule. Production of electricity, coal, and steel products has increased between 5.7 percent and 28 percent over the same period last year, creating excellent conditions for developing light industry and machine-processing industries. Consumer goods production has risen considerably. According to statistics, for 40 primary consumer goods, 34 have had an increase in production over the same period last year. Moreover, the products that enjoyed the highest growth rates were precisely those which were in great demand in the market, such as woolen goods, chemical fibers, televisions, household electrical appliances, refrigerators, furniture, synthetic detergents, leather shoes, and so on. Twelve other products have increased over 30 percent over the same period last year. Output value, profits and taxes, and revenues have increased synchronously.

During the first 8 months of this year, although macroeconomic control of Jiangsu's industrial production has been increased and growth has gradually slowed, the growth rate is still a high 32.2 percent, causing a further drain on reserves of electricity, coal, and primary metals, raw and processed materials, and funds. Product quality is currently under general survey; most of the problems that have been brought to light have not yet been resolved. There are some low-profit products whose production has not grown significantly. Stocks have declined, supplies are tight, and many products have sold out.

The provincial economic planning commission considers that the market is entering its peak period, and demand for commodities will become greater.

In the next several months, industrial production everywhere must continue to implement the spirit of reform. The scope of capital construction must be controlled and market forecasting strengthened. Production of urgently needed goods must be stepped up, and production of unmarketable products must be cut back. We must strive to develop new products, earnestly improve product quality, conserve energy resources and raw and processed materials, and lower production costs, so as to enable the highest rate of production to create the greatest economic results.

13103/6091
CSO: 4006/84

INDUSTRY

CHINA'S ELECTRONICS INDUSTRY YIELDS HIGH OUTPUT VALUE

Beijing JINGJI RIBAO in Chinese 21 Nov 85 p 1

[Article by Gong Jiau [7895 8032]: "China's Electronics Industry's Output Value in 1985 Is Estimated To Be 28 Billion Yuan"]

[Text] By conscientiously implementing the policies of "readjusting, re-structuring, consolidating and improving" the national economy and "opening to the outside world and invigorating the domestic economy" during the Sixth 5-Year Plan period, China's electronics industry has made great strides forward.

Total industrial output value has jumped from 10.1 billion yuan in 1980 to 14.3 billion yuan in 1983, fulfilling the target of the last year under the Sixth 5-Year Plan 2 years ahead of schedule. It is estimated that the total industrial output value fulfilled this year will come to 28 billion yuan, a twofold increase of the target under the Sixth 5-Year Plan. This year, it is estimated that 13.6 million television sets will be produced, a 4.5-fold increase over 1980; it is estimated that 9.57 million taperecorders will be produced, a severfold increase over 1982; it is estimated that 32,000 micro-computers will be produced or a 545-fold increase over 1980. The electronics industrial departments are expected to pay 4.3 billion yuan in tax for profit this year or a 2.86-fold increase over 1980. With the development of production, the export of electronics products has also increased considerable, the export by departments of the electronics industry last year earned in excess of \$100 million in foreign exchange or a 7-fold increase over 1980.

Notable successes have been achieved in scientific research and development as well as development of new products, between 1981 and 1984, 1,979 items of scientific research achievements won awards. Among the computers--items such as a Chinese-character laser typesetting system have reached the world's advanced level. The pace of producing those electronics products that China can produce at home has been accelerated and notable progress has been made in producing color TV sets at home. The average trouble-free operating hours for black-and-white TV sets have jumped from 200 hours to over 10,000 hours, the figure for color TV sets has been maintained at more than 15,000 hours all along and they have made their way into the international market. The average trouble-free operating hours for taperecorders have also increased from 100 to over 1,000 hours with famous brand products remaining at 3,000 hours.

12662/12790
CSO: 4006/338

INDUSTRY

DEVELOPMENT OF CHINA'S RARE-EARTH INDUSTRY DISCUSSED

Beijing GUOJI SHANGBAO in Chinese 30 Sep 85 p 3

[Article by Xu Chongshan [6079 1504 1472]: "China's Rare-Earth Industry Must Be Geared to the Needs of the World--An Interview With Xu Chi, Head of the National Leading Group On Popularizing the Use of Rare-Earth"]

[Text] Recently, this reporter had an interview with Comrade Xu Chi [1776 7459], economic adviser to the State Economic Commission and head of the national leading group on popularizing the use of rare earths and asked him to talk about the development and prospects of China's rare-earth industry. Comrade Xu Chi thought that China's rare-earth industry must be geared to the needs of the world and it has a boundless future.

In answer to reporter's question as to the role of the rare-earth industry in the economic development in China and the world, Comrade Xu Chi said: At present, neither in China nor the world, have rare-earth resources been fully developed and utilized. Calculated in terms of output value, the output value of China's rare-earth industry in 1984 amounted to 300 million yuan, it is expected to reach 350 million yuan this year. On the other hand, the output of the world's rare-earth industry only totals from \$800 million to \$1 billion. Therefore, judging purely from the output value, it seems that the rare-earth industry is not playing a very important role in the world's economic development today. However, we must realize that due to the development of modern science and technology, rare-earth products are making themselves more conspicuous in many more spheres. This is particularly true since the new technological revolution is inseparable from rare-earth products. Therefore, it should be said that the potential of the rare-earth industry is boundless.

Then, this reporter asked Comrade Xu Chi to give his view on how should China's rare-earth industry gear to the needs of the world. He said: China has very rich rare-earth resources, the verified deposits of which rank first among various countries in the world. This is our greatest advantage. But, the use of rare-earth products is the prerequisite of the development of the rare-earth industry. At present, the use of rare-earth in China and the world has still not been widely popularized, thereby greatly restricting the development of China's rare-earth industry and also the increase of the amount of rare-earth products in international trade. In this connection, we must

develop positive international cooperation and popularize the use of rare-earth products not only in China but also in the world. The scientific and technological level of rare-earth production in China at present remains quite low, not only is variety limited and specifications are incomplete in particular there are very few high-grade processed products and production cost is high. All this has hampered the popularization and use of China's rare-earth products and their entry into the international market. Now, China can only export roughly processed rare-earth products in the main and their capacity to earn foreign exchange is low. In order to change this backward state and rapidly elevate the level of scientific research and production of China's rare-earth industry, we must change the closed way of development in the past, energetically implement the open policy and cooperate with various countries in the world in jointly developing and using rare-earth resources. At present, countries overseas are leading in the fields of extracting unitary rare-earth oxide and in manufacturing pure rare-earth metals. We should absorb advanced technology overseas by all means, including purchasing foreign equipment and technological patents, and inviting foreign experts to China to engage in scientific research and production. We may also use compensatory trade, import foreign capital, jointly set up factories and engage in cooperative production. We should take full advantage of our country's resources, absorb advanced technology overseas, raise the capacity of China's rare-earth industry to produce intensively processed products and turn out more intensively processed products for the international market so as to earn more foreign exchange.

Touching on the popularization and use of rare-earth products, Comrade Xu Chi thought that by comparison, it should be said that both China and foreign countries have their own strong points in the applied fields. In the field of rare earth for agricultural use and the production of manufactured goods for daily use, China is still in a relatively leading position for the time being. For this reason, in the applied fields we can equally cooperate and exchange with various countries in the world. Moreover, numerous of our rare-earth usable products can fully exploit their advantage and make an entry into the international market.

Comrade Xu Chi was extremely optimistic about the future of China's rare-earth industry. He pointed out that under the Seventh 5-Year Plan, China will double its production and use of rare-earth products and the export of rare-earth products should be greatly increased. Rare earth will play an important role in many more fields. To this end, we must be well prepared. We must not only take care of investment to enhance productive capacity but also pay attention to personnel training and strengthening the study of fundamental theories. In the meantime, we should carry out a publicity drive to let the people understand rare earth and take an interest in and pay attention to it so as to open up a broader vista for the popularization and use of rare-earth products.

12662/13104
CSO: 4006/362

INDUSTRY

RAPID DEVELOPMENT OF CHINA'S AUTO INDUSTRY DISCUSSED

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 15 Nov 85 p 3

[Article by reporter Liu Yongya [0491 3938 0068]: "China's Auto Industry Develops Relatively Rapidly in Recent Years with 15 New Models Passing Evaluation and 3 Famous-Brand Old Products Being Improved and Updated"]

[Text] China's auto industry has achieved relatively rapid progress during the Sixth 5-Year Plan period in importing technology and in changing models and renovating products, the productive capacity for producing new products has also improved to some extent.

In recent years, China has successively imported production technology from Austria for serial production of the Steyr heavy model truck, from Shanghai for serial production of Santana sedans and Jeeps, from Japan for serial production of Daihatsu sub-compacts and from Italy for serial production of Iveco light-model cars and production technology for other motor vehicles, assembly and parts. In the meantime, some auto-production enterprises in our country have also set up joint ventures with foreign auto plants for the production of motor vehicles.

During the Sixth 5-Year Plan period, overall change of models and renovation of motor vehicles has been carried out and many achievements have been made in the improvement and updating of old products and the development of new products. These several years represent a period in which China's auto industry developed the most products. A total of 15 basic new car models passed evaluation. The updated products of the three basic car models: "Jiafang," "Huanghai" and "Yuejin" which were produced the earliest and in largest quantities in China all passed evaluation. Heavy-duty trucks such as the 18-ton Hongyan CQ3029 model and the 13-ton SX161 model have also passed evaluation one after another this year, thereby filling the blank spot of large tonnage heavy-duty trucks in China. In addition, improvement has also been made in the Dongfang 5-ton heavy-duty trucks and 3.5-ton cross-country trucks.

These new products are relatively economical and reliable in performance, with quality considerably improved. Take the 3-ton Yuejin NJ131 model trucks, for example, by utilizing some of the existing chassis assembly, the two weak links involving the driver's cabin and the motor have been effectively solved.

The driver's cabin, improved and shaped from the Isuzu model imported from Japan, is comfortable and has a better field of vision, control and performance in various aspects than the old type vehicles, the engines and diesel engines used are designed in China and developed and successfully manufactured by absorbing advanced technology from abroad. Fuel consumption is 31 percent less per 100-ton km as compared the NJ130-model trucks produced earlier, the maximum driving speed has improved from 80 km per hour to 90 km per hour and the mileage for the first major overhaul has raised from 100,000 km to a better level of 150,000 km.

The new car models have taken into consideration seriaton, interchangeability and standardization of multiple variety of products for development into motor vehicles in different models in the future. This is of great significance in putting an end to the history of China's auto industry of sticking to a consistent system and a single variety over the past several decades and in bringing about great development of motor vehicles, satisfying the varied demands of consumers and expanding the service sphere during the Seventh 5-Year Plan period.

12662/13104
CSO: 4006/362

INDUSTRY

CHINA PLANS TO IMPROVE AUTOMOBILE PRODUCTS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 12 Nov 85 p 3

[Article by reporter Liu Yongya [0491 3938 0068] and correspondent Wu Facheng [0702 3127 2052]: "Develop Highstandard and Profitable Automobile Products, Accelerate Improvement and Updating, Expand Export of Products and Organize Specialized Production with Large Enterprises as the Main Body"]

[Text] In an interview with reporters recently, Chen Zutao [7115 4371 3447], general manager of the China Automobile Industrial Corp., said, during the Seventh 5-Year Plan period, China's auto industry will continue to undergo transformation, lay the foundation of a new management system, vigorously promote scientific and technological progress and intellectual development and accelerate the upgrading of automobile products so as to catch up with international levels in the 1980's, and produce more high-standard and highly efficient automobile products to strive to make the auto industry an important pillar of the national economy.

This general manager who was educated in the Soviet Union and has worked in the automobile industry for many years said: To achieve the goals mentioned above, we must adhere to the developmental policy of "going after reform, ensuring priority, elevating standards, developing specialized coordination and energetically expanding export."

In recent years, the auto industry has made certain progress in readjusting, structuring and consolidating and organized several joint corporations with the backbone enterprises as the main body and products as the leading factor. The China Automobile Industrial Corp. has delegated authority to enterprises to give them more decisionmaking power in operations and enhance their vitality. Large enterprises such as the No 1 and No 2 motor works are now enjoying greater decisionmaking power and their production and management have also improved greatly. Chen Zutao said the restructuring of the management system of the auto industry from now on must first of all concentrate on further invigorating the large and medium enterprises. In addition to delegating power to the lower levels, the corporation has also planned to continually engage in joint study with the state comprehensive departments so as to gradually reduce the proportion of mandatory planning and turn the enterprises into economic entities of independent operations which are responsible for their own profit and loss and have the capability to reform and develop themselves.

In view of the limited financial resources of the state at present, we will adhere to the policy of ensuring priority, Chen Zutao said. During the Seven 5-Year Plan period, emphasis will be placed on developing heavy-duty vehicles, light vehicles and serialized key spare parts at the international level of the 1980's. To this end, we are planning to raise the production level of the backbone enterprises by means of importing technology, technological transformation, renovation and expansion and other ways.

Chen Zutao explained that elevating standards requires us to accelerate the upgrading and updating the products and use new products, new technology, new processes and new equipment as much as possible, including modern enterprise management, so as to rapidly raise the major automobile products to the international level or the late 1970's and the early 1980's. To this end, we should, with products as the leading factor and technology as the foundation, place stress on conservation of energy and material and improving product quality, effectively integrate the tackling of key scientific and technological problems and importation of technology with technological transformation, combine the main engine and spare parts with accessories of complete sets for related industries and link scientific research and designing with experiment, production, standardization and calculation and concentrate on improving and updating products.

As a result of the "automobile craze" that has swept across the country since last year, "small but complete" motor works with low levels of specialization have appeared in many places, resulting in a degree of duplication and bringing about a situation of high price for inferior products. Chen Zutao said: to change this situation, we must break down the barriers between regions and departments and between the army and the people, we must develop multiform and multilevel integrations to promote large-scale production through specialized cooperation. We are planning to readjust and consolidate as necessary those corporations already established so as to make them more consolidated and better. In the meantime, we must energetically direct the defense industry and the local large and medium automobile enterprises to close ranks with the large backbone enterprises designated by the state and, with the large enterprises as the main body and serial quality products as the leading factor, carry out high-standard and specialized mass production through rational division of labor.

In regard to automobile exports, Chen Zutao said this is a cardinal matter of strategic significance. Exports can help elevate the level of China's auto industry. During the Seventh 5-Year Plan period, we should further improve the experimental work of the auto industry in linking industry with trade, technology with trade and imports with exports, draw up strategic targets and plans for export, formulate economic policies to encourage exports, ensure export products and the supply of materials for export products and establish bases for handling export products.

12662/12790
CSO: 4006/363

INDUSTRY

DEVELOPMENT OF NON-WOVEN FABRICS ACCELERATED

Beijing JINGJI CANKAO [ECONOMIC INFORMATION] in Chinese 24 Sep 85 p 5

[Article by Qian Youyu [6929 2589 5148]]

[Text] Non-woven fabric is a product of the textile industry produced by using a new scientific technique wherein fibers are directly converted into a fabric through use of adhesives, stitching, weaving, spinning, and other methods.

In the production of non-woven fabric, the process is short and simple, little energy is consumed, labor productivity is high, raw materials are extensively used, product variations are numerous, which are conducive to continuity and automation in production. Productivity calculated on the basis of kilogram per hour for traditional mechanized weaving is 6, knitting 10, and non-woven fabric 25 to 600. Energy consumption calculated in terms of kWh per kilogram of fabric for mechanized weaving is 3, knitting 2, non-woven fabric 1.

Internationally, the development of non-woven fabric has been fast. It has already replaced a portion of the market for traditional textiles, and in industry it has opened up a number of brand-new markets. In 1982 the total world output of non-woven fabrics was 1 million tons, or 8 percent of all textile output. Its rate of development has greatly surpassed the average rate of development of the textile industry. It has been called the textile industry's "sunshine industry." Non-woven fabrics abroad have already entered extensively into the realm of agriculture, interior decorating, clothing, construction, medicine etc.

At present, non-woven fabrics in China are moving from an intermediate stage of production to industrialized production. The main products are cotton strips, shoe and hat lining, dress lining, disposable and reusable cloth, cotton blankets, woolen blankets, and sewing paper patterns, filters, insulating materials and others. The comprehensive economic results of our country's non-woven fabric technology have not yet been fully realized. However, by the standards of existing production enterprises, the economic results are considerable. Both labor costs and energy consumption at State Cotton Factory No 4 in Changzhou are one-third that of spinning technology, while profits are double that of spinning techniques.

In the near future, China must fully utilize every type of chemical fiber, natural fiber, and every kind of leftover bits and pieces, giving priority to developing industrial fabrics, decorative cloth, medical and health articles and other products. We should integrate adopted imported foreign technology with domestic developments in order to accelerate and develop production of non-woven fabrics.

13103/6091

CSO: 4006/84

INDUSTRY

DEVELOPMENT OF PLASTIC, SOFT PACKAGING FOR FOOD DISCUSSED

Beijing SHICHANG in Chinese 28 Oct 85 p 2

[Article by Yu Ming [0060 2494], Gui Sheng [6311 3932] and Xiu Zhi [4423 5347]: "Food Packaging Develops Toward Plastic and Soft Packaging--A Task of Top Priority Is To Successfully Develop Raw Material Production"]

[Text] China's food industry has developed quite rapidly in recent years. According to incomplete statistics, there are more than 70,000 state-owned food industrial enterprises, more than 250,000 rural and small town food enterprises and more than 2 million households specialized in food processing throughout the country. With the changes in the consumption structure, the people have also imposed higher demand on food packaging: 1) it must be sanitary; 2) it must be inexpensive but substantial; 3) it must be convenient for use; 4) it must be artistic and in good taste.

Developing food machinery and packaging machinery is an important aspect of doing food packaging well. The country now has approximately more than 1,500 food machinery and packaging machinery enterprises with a total output value of 1.6 billion yuan and more than 1,300 varieties. They are developing from providing single machines to providing equipment in complete sets and are also opening up new fields. However, as a whole, this field is still in a backward state. While the output value of Japan's food machinery in 1980 was equivalent approximately to 25 percent of the food industry, in China, it accounts for 1 percent. Owing to the backward state of packaging machinery and techniques in China, the annual losses incurred as a result of poor packaging exceeded 10 billion yuan. The selling price of export commodities is much lower than products of comparable variety and quality abroad due to backward packaging.

It is learned from the first national conference on exchanging information about food-packaging technology that the pressing need of China's food-packaging professions and trades is to effectively develop the production of raw materials for packaging. In the economically developed countries in the world today, plastic packaging has had a more and more prominent position in various types of packaging, accounting for more than 20 percent. The commonly seen containers, such as plastic bags, bottles, trays and disposable lightweight boxes, well-insulated easily shaped and processed have gradually become substitutes for packaging materials such as wood, paper products, metal

and glass. The materials being used to the maximum in packaging industries abroad are high- and low-density polythene, polypropylene, polyvinyl chloride (PVC) and polystyrene. In the meantime, soft packaging has also been developed rapidly and is being used extensively. Nevertheless, these are precisely the weakest links in China: The materials for plastic and soft packaging are scarce, poor in quality and expensive. Only a handful of factories throughout the country possess materials for soft packaging and most of them are imported from abroad. This is incompatible with the development of food production in our country because the price of the products is high and the products may not be readily accepted by the broad masses of consumers once they reach the market. The Monkey King brand weight-reducing tea produced in Hunan is of good quality and beautifully packaged and is selling very well in various countries over the world. But all the materials for packaging this type of tea are supplied from abroad, the box for outside packaging alone costs 4 yuan. In order to reduce cost, the factory has searched everywhere in the country for someone who can do the packaging but not a single packaging factory can undertake the task, the reason being that this type of packaging materials is not available. It is thus clear that the development of raw materials for packaging is of great importance. China's food packaging will undergo considerable changes within a short time if the packaging professions and trades can provide the food industry with good and inexpensive packaging materials in large quantities.

12662/13104
CSO: 4006/362

INDUSTRY

BRIEFS

TOP GOLD PRODUCERS--According to JINGJI CANKAO, there are 14 counties in China that produce 10,000 liang of gold each year. They are Zhaoyuan, Rushan, Huangxian, Yexian, and Muxi in Shandong; Kuangcheng, Qinglong, and Qianxi in Hebei; Lingbao and Songxian in Henan; Harqin Banner and Qahar Right Wing Middle Banner in Nei Monggol Autonomous Region; Beipiao in Liaoning; and Mojiang Hani Autonomous County in Yunnan. Of these, Zhaoyuan County, commonly known as "golden walls of abundance," contains four 10,000-liang townships and towns that last year produced 80,000 liang of gold, first in the country. [Text] [Haikou HAINAN RIBAO in Chinese 15 Aug 85 p 4]
13103/6091

CSO: 4006/84

CONSTRUCTION

YUNNAN COMPLETES MASSIVE HOUSING CONSTRUCTION PROJECTS

Kunming YUNNAN RIBAO in Chinese 15 Oct 85 p 1

[Article: "Yunnan Province Has Completed Housing Construction Covering More Than 10 Million Square Meters in Floor Space"]

[Text] Data provided by the Yunnan provincial statistical bureau show that the speed of construction, results and technical level of Yunnan's building industry have improved considerably during the Sixth 5-Year Plan period. This is the result of the restructuring of the economic system and attaching importance to technological progress.

During the Sixth 5-Year Plan period, Yunnan's building industry (not including the portion in rural and small town enterprises) is expected to complete work volume in construction and installation amounting to 4.5 billion yuan, of which the work volume completed last year increased by 72.3 percent over 1980. It is estimated that the various types of housing construction completed in 5 years will cover 16 million square meters in floor space with profit increasing year by year.

The establishment of the economic output-related responsibility system has added new vitality to boost the development of the building industry. Among the state and township collective construction enterprises, 85 percent and 74 percent, respectively, of the units have implemented the public bidding system and other forms of contract responsibility system. In addition, 61.9 percent of state enterprises have implemented the measure of accounting for wage contents in contracting the output value per 100 yuan, which has played an important role in inspiring construction enterprises to tap potential and change the style of operations. As the building market is opened wider with each passing day, there have been continual improvements in technological processes and equipment because the construction units are paying more attention to the development and use of personnel and new technology. Comparing 1984 with 1980, the number of large and medium operating machinery has increased by more than 1,100 units. Propelled by technological progress, the full labor productivity of the building industry last year rose 74.7 percent over 1980.

12662/12790
CSO: 4006/363

CONSTRUCTION

NEW HUANGPU PORT COMPLETES DEEPWATER TRANSHIPMENT PIER

Guangzhou NANFANG RIBAO in Chinese 25 Oct 85 p 1

[Article by Li Lin [2621 2651]: "New Huangpu Port Adds Another Deepwater Pier for Containers; Hongshengsha Waterway Transshipment Pier Was Also Completed Yesterday and Accepted After Inspection"]

[Text] The key state capital construction projects to be built by Guangdong Province under the Sixth 5-Year Plan--the container pier at Berth No 8 of the second-phase project of the New Huangpu Port and the Hongshengsha waterway transshipment pier of the Huangpu port--were completed ahead of schedule and taken over after inspection yesterday. Attending the inspection-acceptance ceremony were responsible comrades of the central, provincial and municipal departments concerned. The engineering quality of these two projects was rated as excellent.

The container pier at Berth No 8 under the second-phase construction of the New Huangpu Port is a deepwater pier equipped with large loading and unloading cranes and gantry cranes capable of handling 30,000-ton-class cargo ships with 1,000 standard containers. Berth No 8 pier, along with Berth No 6 and Berth No 7 piers built earlier, can handle up to 1.65 million tons a year, of which Berth No 7 and Berth No 8 container piers can handle 1.1 million tons a year.

The Hongshengsha waterway transshipment pier is located at the Hongshengsha Island opposite the old Huangpu Port. There 13 large and small newly built piers including 2 berth piers for 10,000-ton-class ships, 8 berth piers for barges, 1 pier for port operations and 1 pier each for a car ferry and passenger ferry. This pier is one that handles cargo in small quantities and miscellaneous cargo (playing a transferring role) from one waterway to another and can handle 800,000 tons a year.

These two projects will play a tremendous role in raising the port's handling capacity with notable economic results. The construction of these two projects was undertaken by the No 1 and No 2 engineering companies of the No 4 Navigation Engineering Bureau of the Ministry of Communications.

12662/12790
CSO: 4006/338

CONSTRUCTION

CONSTRUCTION OF DAYAOSHAN RAILWAY TUNNEL DISCUSSED

Guangzhou NANFANG RIBAO in Chinese 7 Nov 85 p 1

[Article by He Shaoying [0149 1421 5391[: "Over 10,000 Meters of Dayaoshan Tunnel Have Been Dug--News of Victory About the Nation's Longest Double-Track Railway Tunnel Construction Project"]]

[Text] By 5 November, 10,767 meters have been excavated in the construction of the Dayaoshan tunnel, a key project of the double-track Hengyang-Guangzhou Railway completing 75 percent of the total length of the tunnel. It is expected that the whole tunnel will be dug through and lined with stone by the end of next year.

The Dayaoshan tunnel is located at the Dayaoshan mountainous district which is more than 1,100 meters above sea-level inside Lechang County. It is the longest double-track railway tunnel in China to date with a total length of 14.3 km and from more than 100 to 900 meters in hidden depth. To dig this tunnel, it will be necessary to remove 1.5 million cubic meters of broken rocks from the mountain and at the same time inject 280,000 cubic meters of concrete. To shorten the construction period, the technical departments have opened up 10 work surfaces at the entrance, exit, 3 inclined shafts and 1 vertical shaft to carry out excavation simultaneously, they also carried out mechanized excavation by assembly-line methods linking the drilling of holes for demolition fuses, demolition, loading and transportation with concrete-pouring and stone-laying into a serialized operation, thereby accelerating the progress of construction.

To continually raise the efficiency of mechanized operations, workers and technicians of the tunnuel bureau of the Ministry of Railways in charge of the tunnel construction have made an effort to master the essentials of operating the advanced equipment and skillfully handling various types of advanced equipment imported from abroad to shorten the time of each cyclic operation of the four-arm hydraulic-gear rock crusher in a combined mechanical operation--from hole-drilling, to demolition, to rock crushing--to 20 hours from the original 48 hours, thereby making it possible to complete 5 meters of forward digging in a whole section of more than 80 square meters in 1 day. Even though the Banguaо vertical shaft was flooded in the beginning of April this year, forcing two work faces to stop operation, the broad masses of workers were not discouraged. Instead, they exerted still greater efforts to accomplish work in eight work faces which was equivalent to the work in 10 work faces.

DOMESTIC TRADE

ECONOMIC NETWORK LINKS CENTRAL LIAONING CITIES

Beijing LIAOWANG [OUTLOOK] in Chinese No 40, 7 Oct 85 pp 11-13

[Article by Zhou Baohua [6650 0202 5478]: "Embryonic Urban Clusters Appear in Central Liaoning"]

[Text] Six middle-sized and large cities of central Liaoning Province--Shenyang, Anshan, Fushun, Benxi, Liaoyang and Tieling--have formed a combined urban entity with Shenyang as its center in this region of 53,400 sq. km. The combined radii of these six cities is only 100 km, but 44 percent of the total metropolitan population resides in the metropolitan areas of these cities, a figure which is 11 percent higher than that of the Shanghai economic zone. With 6.1 km of track per square kilometer, it has more railways than the Beijing-Tianjin and Shanghai regions. Because heavy industry is central to its economy, this combined area has earned the nickname "black triangle" in the greater northeast.

On an inspection tour last July in Liaoning, Premier Zhao Ziyang pointed out: Liaoning's central cities of Shenyang and Dalian must form an economic network with neighboring clusters of middle-sized and small cities to form a modernized industrial base characterized by coordination among specialized departments, mutual assistance, and urban-rural integration in which each component part retains its special characteristics. What progress has been made in the year that has gone by? This reporter recently visited Li Zhangchun [2621 7022 2504], assistant secretary of the Liaoning Provincial CPC Committee and secretary of the Shenyang CPC Committee. "Breaking the old walled city-style framework of administrative planning in economic management and promoting economic development of central Liaoning's urban clusters is a practical objective and major content of the overall reform of Shenyang's economic system," said the 41 year old city CPC committee secretary in his simple office as soon as we had met.

In July of 1983 the State Council approved a plan to make Shenyang a trial site in the implementation of the reform of the economic system. Permission was also granted for Shenyang to implement autonomous planning, so that it could enjoy the privileges of provincial economic arrangement. This October a joint investigation team from the six cities was organized to conduct an 8-month investigation and study of the area's economy, beginning with Shenyang. In its 15,000-character report, the team suggested going "the route of joint coordination, and establishing a combined urban economy in central Liaoning, to encourage joint development and prosperity." This concept received support

from the provincial CPC committee and government and is also regarded highly by leading comrades of the State Council. Comrade Zhao Ziyang is very interested in the concept, and said that if this idea can be implemented, it will mobilize all of urban and rural southern Liaoning as well, and develop it into a rather prosperous region completely comparable to the Chang Jiang and Zhu Jiang deltas.

Li Zhangchun, an engineering graduate of Harbin Engineering University then spoke of his ideas. He said, "The appearance of clusters of urban economic zones is a fact that cannot be changed by any act of human will. The concept "zone" here does not really refer to a delimited administrative area, but rather to a location where economic relations are fairly close. Its formation is determined by the organic association of political, economic, historical, natural, geographic, population, transportation and other factors. It is the inevitable product of large-scale socialized production."

The "black triangle" has a great deal of economic potential indeed. The economy of the region has a definite wholeness. During the First 5-Year Plan, the state established a steel industry there with Anyang and Bengang as its center, and engineering industry with Sheyang as its center, and an energy industry with Fushun and Benxi as its center. Mining, metallurgy and machine building industries in the region were gradually combined, as were areas that produced raw materials and fuels with processing and consumption areas to form a heavy industrial structure in which there was a clear division of labor, so that each city limited yet relied on the other, thus creating a rational arrangement of the forces of production. This was a rare occurrence in China.

Of China's 18 particularly large cities, Shenyang, Anshan and Fushun together form the "black triangle." In this zone are concentrated over 5,000 industrial enterprises, 545 natural science research institutes and 52 institutions of higher education. It has a rather strong ability to absorb advanced foreign technology.

These characteristics of central Liaoning's urban cluster forms the objective basis for the organic integration of the cluster's entire economic zone. However, for some time, practical economic development in the area has not met anticipated standards. As for the main reason, the current overcentralized system of economic management was originally organized around separate administrative and bureaucratic areas. Due to the plethora of independent, isolated departments, the economies of the various cities developed in isolation of each other, which hindered horizontal economic relations. This system artificially limited and shrunk economic interpretation and attraction among the cities and to differing degrees, chopped up natural economic connections formed over a long period of time, which gradually decreased the rate of economic growth for the "black triangle." In the overall reform, Shenyang must first strengthen its horizontal economic and technological relations with its neighboring cities, and form a rational economic network to solve this long-standing problem.

Last August, Shenyang invited well-known economists, economic theoretical workers from across the nation and leadership from the relevant departments of the State Council to attend a conference on economic and social development

strategy and reform of the economic system. This conference provided a theoretical and scientific basis to economic concepts concerning the integrated development of the "black triangle." At the end of last year, Li Tao [2621 3447], then first secretary of the city CPC committee, and Comrade Li Zhangchun invited the city CPC committee secretaries and mayors of five central Liaoning urban clusters and Dandong City to Shenyang for a conference where an agreement was reached to establish a "Central Liaoning Urban-cluster Alliance for Economic and Technological Coordination." A consensus was also reached concerning the nature and tasks of the alliance, thus paving the way for the development of an economically prosperous "black triangle."

When we asked Li Zhangchun to explain more about the creation of the alliance, he replied smilingly that the alliance is a loose one due mainly to the level of development of the productive forces and current conditions in the economic system. Comrades from the seven cities feel that when conditions are ripe in the future, development will proceed to form one degree higher. The current goal of the alliance is to utilize more rationally the economic zone's natural resources in order to get the best macroscopic results.

At this point, Li walked over to his desk, picked up and gave me a report summarizing the alliance's work since its establishment a half-year ago. Since the creation of the Central Liaoning Urban-cluster Alliance, there has been constant contact among the various industries of the seven cities. Beginning from their own professions, electronics, foreign trade, construction, textiles, agricultural, higher education and tourist systems are promoting cooperation among specialized departments, and have together drawn up a blueprint to enliven the economy. The cities have already signed 127 cooperation agreements, of which 38 involve annual output values of over 1 million yuan. The seven cities also established a committee for cooperation in higher education, through which nearly 100 university students have been trained in computers, industrial and home construction, enterprise management, communications, petroleum and other professions. The alliance is now conducting feasibility studies on a series of major cooperation projects directly related to the cluster's economic development.

Urban-cluster economics is a special part of regional economics, and the urban-cluster economic zones differs from the average economic zone. Li Zhangchun continued to explain the following three principles that were stressed during the establishment of the alliance:

1. The principle of overall planning. The alliance's plans must dovetail with the state's long-term plans, and be included in the entire province's strategic development plan. By having a united plan and coordinating economic activities among the cities, dispersed forces can be concentrated and united.
2. The principle of equality and mutual benefit. Economic zones are different from administrative districts. Horizontal economic relations and commodity exchanges among the cities are to be equal. The relationship between the cities is not one of subordination, but is one of equality, without regard to size. Therefore the guiding principles of the alliance are equality and mutual benefit, voluntary unity, independence and mutual development. The size of the

cities makes no difference as to organizational structure. The mayors of all the cities shall take turns holding the office of director of the alliance.

3. The open door principle. Cities in the alliance must open their doors to each other. Members of the alliance shall have the freedom to come and go as they wish in order to attract more cities into participating. For example, during the organization and establishment of the alliance, Dandong was not encouraged to join due to geographic considerations. But later when Dandong pressed its desire to participate, it was admitted as a member based on the open door principle.

The importance of dealing well with relationships between the coast and the inland, the cities and the countryside, overall development and the specialized division of labor, as well as between administrative participation and economic integration was also discussed. Of the four relationships, doing a good job with the first is vital. Because of Dalian's forward position opening to the outside, and Shenyang's and its neighboring urban cluster's position inland, there are countless close, historical ties between the two areas, which if enabled to work in concert could mobilize both urban and rural southern Liaoning and transform it into a thriving economic zone.

Finally, Li Zhangchun said: "As the largest economic center of the Northeast, Shenyang must perform extremely important tasks in the economic construction of central Liaoning's urban cluster. It must make full use of its many functions to make even greater contributions toward the development and future prosperity of all the cities within the "Black Triangle."

12221/12951
CSO: 4006/175

FOREIGN TRADE AND INVESTMENT

FOREIGN EXCHANGE CONTROL MEASURES SUGGESTED IN FUJIAN

Fuzhou FUJIAN RIBAO in Chinese 18 Oct 85 p 1

[Article: "Earn More Foreign Exchange Through Exports, Step Up Control of Foreign Exchange Payments To Achieve Comprehensive Foreign Exchange Balance"]

[Text] "We must pay great attention to foreign exchange earning through export, use our foreign exchange more effectively, and keep our foreign exchange receipts and payments balanced. These issues deserve the close attention of the leadership at various levels, and should be placed on the agenda of party committee and government meetings at various levels." In the second session of the fourth enlarged provincial party committee, Cai Ninglin [5591 1337 2651], standing committee member of the provincial party committee, stressed the need for a comprehensive balance of foreign exchange.

Cai Ninglin recalled many problems in Fujian's exports and foreign exchange spendings, such as the large number of departments authorized to approve such spendings and the duplicate imports which led to overspending of foreign exchange to many imported projects which were paid in foreign exchange but did not earn any foreign exchange, and even relied on large amounts of imported raw and subsidiary materials, spare parts and accessories over long periods to aggravate the foreign exchange imbalance and the chaotic management and lack of coordination in the receipts and payments of foreign exchange which led to poor economic results. Therefore, he emphatically pointed out that in future, the extent of opening the province to the outside world, using foreign funds, and importing technologies will be determined by the capacity of foreign exchange earning. Foreign funds (either in the form of loans or investments) must be eventually repaid and with interest. In the final analysis, such payment must be made out of our income from exports. Being opened to the world does not mean importing without exporting. There must be both, and the volume of exports determines the volume of imports. We must, therefore, stress the urgent need to encourage exports and to increase our foreign exchange earning, and treat the increase of foreign exchange earning as a strategic issue which has a bearing on the overall national economy, on the continuance of our open-door policy, and on the consolidation and development of the present excellent situation.

Cai Ninglin proposed the following measures for increasing our foreign exchange earnings and strengthening the control over foreign currency:

1. Continue to readjust the economic structure, make great efforts to develop exports. We must readjust our export commodity mix in a systematic and planned way based on the international market's needs, arrange a construction layout for export production, and gradually set up a foreign-oriented production structure. Efforts must be made to improve the quality and packaging of our export commodities in order to increase export value. While carefully attending to the intensive processing and comprehensive use of agricultural sideline products, we should energetically develop exports of aquatic products, fresh fruits and other perishable products. The proportion of mineral products and mechanical and electrical appliances in our export structure should be raised. Export products should enjoy priority in supplies of raw materials and energy, in the use of foreign exchange and other funds, and in transportation facilities. We should establish a number of production bases for those export commodities with special local characteristics and a higher foreign exchange earning capacity. Some measures should also be worked out and enforced concerning the 10 large special plants, special factories and special workshops that export competitive products.
2. Strengthen control over export commodities. Export commodities should be strictly managed and controlled at different levels according to state regulations. In future, whenever any prefecture or municipality assigns to the lower levels any production or construction plan, it must also assign the task or earning foreign exchange, with the understanding that such earnings will serve as one of the important criteria for assessing the performance of the enterprise or unit.
3. Make great efforts to open new international markets, to promote exports, to establish a network of sales agencies and a system of market information feedbacks, and to use imports for the promotion of exports.
4. Strive to increase our foreign exchange income from overseas remittances, tourism, labor services and other nontrade sources.
5. Combine the use and earning of foreign exchange. In using foreign exchange, we must ensure that the requirements of the key production and construction projects are met, and the importation of consumer goods must be strictly controlled.
6. Comprehensively review the imported items and the enterprises with overseas Chinese capital, the Chinese-foreign joint ventures, and the enterprises with exclusive foreign capital, bearing in mind the principle that receipts and payments of foreign exchange must be balanced and that efforts must be made to earn more foreign exchange.
7. Strengthen the planned management of, and macro-economic control over foreign trade and foreign currency, and guard against the thoughtless use of

foreign currency. The norms set by the province for the use of foreign currency must be strictly observed and cannot be exceeded.

9411/13068
CSO: 4006/360

FOREIGN TRADE AND INVESTMENT

NUMBER OF FUJIAN'S FOREIGN TRADE PARTNERS INCREASING

Fuzhou FUJIAN RIBAO in Chinese 23 Oct 85 p 1

[Article by correspondents Li Xiuwei [2621 4423 0251] and Li Fanglin [2621 5364 2651]: "Fujian Marching into the World in Big Strides; Trade Contacts Formed in Five Continents"]

[Text] Fujian's foreign trade departments have made great efforts to increase their trade contacts with various countries in the world. By now, they have established trade relations with more than 120 countries and regions in all five continents. While consolidating their positions in Hong Kong, Macao, Southeast Asia, Japan and other traditional markets, they have also opened new markets in the United States, Australia and West Africa in recent years.

Along with the continued expansion of Fujian's foreign trade, Japan, the United State, Canada, South Asia, the European Common Market and other developed countries and regions have become its major trade partners. The transactions with these partners have accounted for more than 50 percent of Fujian's total trade volume. Its exports to the U. S. market were at first very little. Last year, the export commodities sold on the U.S. market increased 2.47-fold over 1979, and from January to September this year, it again increased 62 percent over the same period last year. The U.S. market now ranks third in Fujian's export trade. Fujian's exports to Australia have also been increased as a result of closer friendly contacts. Last year, its exports to Australia increased 1.8-fold over 1979. Fujian's exports to the West African countries was formerly next to nothing. After 1983, following the opening of its West African markets, its exports to Togo increased 2.14-fold over 1981. Since the beginning of this year, Fujian has also promoted its sales in Somalia, the South Pacific Islands, and the countries and regions in the Middle East.

In an effort to open more international markets, Fujian's foreign trade corporation has gradually set up and consolidated its foreign sales system and service network in order to keep abreast of the foreign situation, to supply information on the market trend, and to maintain contact with its new and old customers. Salesmen were also dispatched abroad to study the foreign markets. Besides understanding foreign languages, these salesmen are also competent in business dealings. In recent years, Fujian has held many exhibition-sales meetings in Australia, Togo, Libya, Japan and Hong Kong. These meetings

played an important role in strengthening its relations with customers and opening new sales channels. Last year, Fujian also invited more than 500 foreign traders to come for trade talks as a means of foreign trade promotion.

9411/13068
CSO: 4006/360

FOREIGN TRADE AND INVESTMENT

SINO-JAPANESE COOPERATION IN OFFSHORE OIL EXPLOITATION

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 9 Nov 85 p 1

[Article by correspondents Xing Fengbing [6717 7685 3521] and Zhang Heping [1728 0149 1627]: "First Set of Contracts Signed After Second Round of Bidding for Offshore Oil Exploitation; China and Japan Cooperating in Oil Exploitation in Zhu Jiang Estuary, Nan Hai"]

[Text] The first set of contracts after the second round of bidding for offshore oil exploitation were signed in the morning of 8 November in the People's Great Hall. The China National Offshore Oil Corp. and the bidding group formed of the Japan Oil Resources Exploitation Corp., the Hunan Oil Exploitation Corp. and the Japan Mining Corp. signed the contracts for the prospecting and exploitation of the 16/06 Contracted Zone in the Zhu Jiang estuary of Nan Hai.

The 16/06 Contracted Zone has an area of 5,100 square meters and is located in a recess in the estuary basin about 230 km from Guangzhou. During the operations in the contracted zone after the first round of bidding, high-yield oil and gas wells with good prospective reserves were discovered.

All three Japanese corporations, the successful bidders, are stockholders of Chengbei Oilfield in Bohai now under joint Sino-Japanese exploitation. The 16/06 Contracted Zone will be jointly operated by China and these three companies, and preparations are now underway in Guangzhou and the Shekou Base. It is expected that physical prospecting will begin in the first quarter, to be followed by formal drilling in the third quarter of next year.

Good progress has been made during the 6 years of cooperation between China and foreign countries in offshore oil exploitation. In Bohai, southern Huang Hai, the Zhu Jiang estuary of Nan Hai, and the Beibu Gulf and the Yinggehai of Nan Hai, one of the wells is already producing oil, two others are being exploited, and one large gasfield will soon go into operation. In addition, among the 79 geological structures explored, a number of high-yield oil and gas wells of high value have been discovered.

As we understand, China has adopted even more preferential and flexible policies in dealing with foreign cooperating partners.

Since the beginning of the second round of bidding for offshore oil exploitation with foreign cooperation, quotations from 24 corporations in 10 countries have been received for the Zhu Jiang estuary and Yinggehai of Nan Hai and the Huang Hai sea areas. Contract negotiations are now proceeding in earnest, and it is expected that another batch of contracts will be signed this year.

9411/13068
CSO: 4006/315

FOREIGN TRADE AND INVESTMENT

BRIEFS

CHINESE CUSTOMS' TECHNICAL RENOVATION--China will adopt advanced technologies in its customs service during the Seventh 5-Year Plan period when a nationwide computer network and an information network together with laboratory and other inspection facilities will be basically completed. The technical equipment of Chinese customs will be modernized. According to JINGJI RIBAO, the technical equipment for Chinese customs has continued to improve in the past several years. More than 4,000 units (sets) of technical equipment have been installed in the country and the equipment for computerized communications and scanning is now fairly complete. In places where traffic is heavy, a computer system with hundreds of scanning terminals has been set up for checking imported and exported cargoes and postal parcels, levying taxes, searching for contraband goods, and compiling statistics. The use of this equipment has raised customs efficiency and speeded up the work of checking, but the technical modernization is still inadequate for it increasing workload. [Text] [Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 9 Nov 85 p 1] 9411/13068

CSO: 4006/315

SPECIAL ECONOMIC ZONES

SHENZHEN SUGGESTED AS SITE OF CHINA'S 'SILICON VALLEY'

Shenzhen SHENZHEN TEQU KEJI [SCIENCE AND TECHNOLOGY OF SHENZHEN SPECIAL ZONE] in Chinese No 2, Apr-Jun 85 p 32

[Article by Senior Engineer Li Haoqi [2621 3185 2769]: "China's 'Silicon Valley' Should Be Built in Shenzhen"]

[Excerpt] As the largest special economic zone in China, Shenzhen has from its very inception chosen electronics as the key industry for its own development. This is a very bold and far-sighted choice. Electronics is a new and highly technology-intensive industry. As some foreigners said, it is the "heart of high technology." In the "silicon valley" of the United States, for example, PhD's alone number as many as 6,000! Not long ago, some people suggested that China's "silicon valley" or "silicone island" be built in Xiamen or Sichuan. According to the layout of the electronics industry and its development in Shenzhen, however, I am of the opinion that Shenzhen should be the place of the electronics industry and its development should be the place with the broadest scope, the most rapid development and the best conditions for this purpose in the country. In a short period of slightly over 2 years, not only Shenzhen itself, but also the Ministry of Electronics Industry have built their own electronics corporations here. There are also more than 60 other related electronics enterprises with more than 40 production lines, capable of producing and assembling more than 100 electronic products of a complex technical nature, including computers, micro-processors and color TV sets. In consideration of the realities of China and the requirements for its strategic development, therefore, it would be appropriate to build a "silicon valley" here as the transistor industrial center of China. In addition, Shenzhen has the following advantages which are denied to other places.

First, it is close to Hong Kong. This geographical advantage must not be overlooked. Hong Kong is one of the four large free economic centers as well as the largest free trade center and port in the world. Its economic prosperity is inseparable from the concentration of advanced sciences and technologies of the world in Hong Kong and its prompt access to information. Through Hong Kong, we can not only import the world's advanced electronics technology and obtain the most up-to-date information in various fields without any loss of time, but also sell our electronic products directly in

Hong Kong, or in the world market through Hong Kong. The closer the place of production is to the market, the better the economic results.

Second, it is close to Guangzhou, one of the largest export trade centers with good transportation facilities in the country. The Guangzhou Nonferrous Metal Research Academy, one of the two largest nonferrous and rare-metal scientific research centers in the country, is located in Guangzhou. In addition, there is the Guangzhou Transistor Material Research Institute which has developed from the transistor material research section of that academy. The scientific and technological resources of these two units are quite abundant. Through this academy, we can obtain the best technical resources in the production of transistor materials and in scientific research. There are scores of institutes of higher learning in Guangzhou and most of them are specialized in electronics and metallurgy. They can help Shenzhen with the supply and training of highly technical personnel.

Third, for the development of the electronics industry, we must be sure that many varieties of nonferrous metals and rare metals are available. Color televisions, for example, cannot be made without fluorescent materials, while many electronic products need magnetic materials, transistors and other metals, all inseparable from nonferrous and rare metals. Known as the "native land of rare metals," Guangdong has the unique natural advantage of abundant mineral resources, including material foundation for the development of an electronics industry and will provide Shenzhen with the required resources for all-round development of this industry.

Under these conditions, there are great and comprehensive advantages and a very good foundation for a "silicon valley" with the Chinese characteristics to be set up in Shenzhen, in its all-round development of the electronics industry. Furthermore, Shenzhen's experiences of success in "importing investments from abroad and forming lateral ties at home" and the advanced technologies and funds it has brought in will certainly help speed up the building of its "silicon valley." In the U.S. "silicon valley," for example, there are more than 100 corporations run by Chinese people, and we can make an effort to establish connections with them and to win their cooperation.

On the whole, I believe that we should set up China's "silicon valley" in Shenzhen as an important strategy in meeting the challenge of the new technical revolution of the world.

9411/13068
CSO: 4006/315

SPECIAL ECONOMIC ZONES

ELECTRONICS INDUSTRY PROSPECTS IN SHENZHEN DISCUSSED

Shenzhen SHENZHEN DANG DE SHENGHUO [THE WORK OF THE PARTY IN THE SPECIAL ECONOMIC ZONE] in Chinese No 7, 15 Jul 85 pp 39-43

[Article by Wang Zongwu [3769 1350 4872]: "Tentative Discussion on the Orientation of Shenzhen's Electronics Industry"]

[Text] [Editor's note:] In this article some views are offered for reference concerning the development of Shenzhen's electronics industry. [End of editor's note]

Shenzhen's electronics industry was started in 1981 by one small factory which produced only a single variety of a simple product with an annual output value of only 1 million yuan. Now, almost overnight, it has become the largest trade in Shenzhen with an annual output of nearly 500,000 color TV sets, more than 2.5 million sets of cassette records of various types, and tens of thousands of computers. Its development speed is astonishing.

However, if we take a careful look behind the exterior of the fast-developing industry, it will not be difficult for us to see that its product mix consists mostly of household electrical appliances, such as color TV sets, cassette recorders, and other consumer electronic products serving society's daily needs. On the other hand, there is a dearth of basic electronic components, spare parts and accessories of high flexibility and adaptability, and an even fewer products of high latent supplementary value.

At present, the production of Shenzhen's electronics industry relies almost entirely on its imported electronic components, spare parts and accessories to be assembled or processed here. At present and in the next 3 to 4 years, these electronic products are or will continue to be in the form of processed products with materials supplied by the customers, and sold on the domestic market or through sole agents. Only a few of them can be sold abroad. In Shenzhen, there is now a shortage of basic supportive industries and of specialized technical personnel, all required for the development of modern electronics industry.

Such being its present situation, the electronics industry in Shenzhen is further confronted with a very complex international market where competition is very keen, and the updating of products and technologies is very frequent. It

has disadvantages as well as advantages. As for its advantages, there is the opportunity for it to open its "window" for a look at the outside world, to boost its economy, to accumulate more funds, to gain more knowledge of modern electronics industrial management and to train more talents for this purpose.

In opening an SEZ in Shenzhen, it was the intention of the central authorities for it to play the role of "four windows" and "fanning out" at home and abroad in order that the most advanced knowledge, technologies and management expertise could be imported, transplanted and could bear fruit in the hinterland to further speed up China's "four modernizations" and to help China catch up to the advanced world level.

What, then, is the advanced world level in production?

More than 20 years ago, following the breakthroughs in the use of transistors, in quantum electronics, nuclear science, telecommunications theories, molecular biology, ecology, oceanography and space science, and particularly in the 1970's, people began to understand that such phenomena as pollution of the biological environment created by the "industrial revolution," the ecological imbalance, the squandering of nonregenerative natural resources, the price of inflation for raw materials, and so forth cannot be permitted. They also realized that the "smokestack industry" symbolizing the "industrial revolution" is now backward and will inevitably continue to decline.

On the other hand, new industries, such as those of atomic energy, integrated circuits, data processing, advanced telecommunications, oceanography, aerospace, bioengineering and so forth, are springing up like mushrooms. Traditional industries have been raised to a higher plane, and new technologies and new products are being actively developed. Furthermore, the electronics industry which is energy-saving, pollution-free and of high supplementary value has developed with an almost miraculous speed with the result that some electronic products, which people now speak of approvingly, may soon be phased out and replaced by a new generation of products which are better and able to perform more functions. Electronics has become the most vital, most active and all-encompassing science among the modern productive forces and in the economic structure. The technology of microelectronics, as the forerunner of electronic technology, has turned telecommunications into a new element which is most important and active, and capable of generating a productive force of the highest supplementary value. This element parallels the three major elements, namely, the tools of modern labor, the objects of labor, and the laborers' productive capacity.

In other words, the world today is speeding toward an "information industrial revolution" which is highly knowledge-intensive, highly technology-intensive, and moving by mental power across national boundaries in an atmosphere of keen microelectronic competition. This competition is particularly severe between Japan and the United States and the electronics industry is expected to develop even faster in the future.

Because of the continued in-depth and extensive development of the microelectronics industry, the age of artificial intelligence is not far away. We must

take resolute measures to catch up with the march of events and strive to reach the level of advanced countries by the turn of the century.

Shenzhen's electronics industry bears the heavy responsibility of supplying new technologies and new experiences for China's "four modernizations" program. How should we change it from being home-oriented to foreign-oriented? How can we effectively narrow the gap between the advanced countries' electronic industrial standards and our own?

In my opinion, we should first take some points of reference from the world as a whole. In the past, we only used our own country and its past performances as referents now, we must quickly and resolutely change our methods and use the advanced electronic industrial level for this purpose. We should also use the concept of "modernization" which has a historical as well as a worldwide connotation to measure the real level of our electronics industry and to work out short - and long-term plans, and a series of appropriate measures to ensure its realization. We should direct people's eyes to the fast development of the advanced electronics industry in the world.

The policies worked out by the government departments should help clear the channels for science, technology, production, marketing, telecommunications and talented personnel from overseas. They should also dispatch groups of relevant personnel abroad, first to Hong Kong. They should stay abroad for a long time, or make frequent foreign visits so that they may become "experts in foreign affairs." At the time, we must have faith in the overseas compatriots, most of whom are patriotic. We must trust them and invite these "experts in foreign affairs" back home to participate in our "four modernizations" program. We should also induce and invite the advanced enterprises and the entrepreneurs of science, technology, engineering and trade to come to China for cooperation or joint venture, or to manage our enterprises under preferential policies. Only thus can our economy freely mingle with that of other countries, such as the Western countries (including Japan), in the economic activities of the world. Only thus can we truly familiarize ourselves with the international market thoroughly, understand the conditions of the world and various countries, and create a good environment and a solid foundation for competition.

Second, great efforts must be made to strengthen the foundation of the electronics industry for the modernized production of electronic components and to quickly stop the practice of basically relying on imported components to be assembled, in order that we may keep up with the frequent changes in the international market. One of the causes for the wide gap between the electronics industry of China and that of the advanced countries in the world is the poor and backward technologies of producing components and the methods of industrial management. Our production costs are high, and the uniformity and reliability of our products are poor. It is true that the assembling of whole machines is faster and more profitable, while the production of electronic components and parts is slower and less profitable. However, for our long-range and fundamental plans, we must energetically strengthen the foundation of this branch of the electronics industry and pay great attention to the modernization of component production.

In the production of electronic components, Shenzhen must first pay special attention to the development of integrated circuits as the central task. The reason is that in the past several years, the large-scale development of integrated circuits in the world has increased the functions of these circuits 100-fold, while production cost has increased only 0.1 percent. Microelectronics has become the key to advanced productive capacity, and the integrated circuit is the forerunner of microelectronics as well as the foundation of computers, which is in turn the foundation of competitive power.

Even for those electronic products under the category of consumer goods, we must maintain a certain superiority in the transistor field in order to achieve long-lasting success and to be competitive on the international market. Among these products, integrated circuits should be developed as the focus of research. The production of numerical digital electrosonic circuits, numerical digital TV sets, electronic games, electronic toys, and many other gadgets invariably relies on a high level of microelectronics technology, including that of large-scale integrated circuits.

Particularly because of the production of microprocessors following the large-scale and extra-large-scale development of integrated circuits, the central functional part of computers is now of an extra-small size with a single board. Production cost has been greatly reduced. Because of its small size, this part can be very conveniently and flexibly installed in various machines, devices and electrical appliance to perform multiple functions including self-control and artificial intelligence. As a scientist of a U.S. computer research center has put it: "Superiority in the field of computers symbolizes the first-rate strong country." Whoever enjoys superiority in the field of computers will hold the initiative in the new industrial revolution.

Therefore, the basic components of microelectronics, such as integrated circuits and particularly large-scale integrated circuits, must be strongly supported instead of being treated lightly. Furthermore, the state and the government should openly take the lead in planning, organizing and regulating in addition to taking measures against risks.

Third, I am of the opinion that the principle of developing quantitatively must be replaced by that of developing qualitatively.

The economic strength of a country is measured not only by the absolute output (the quantitative standard) of its major products (such as grain, oil, steel, coal and electricity), but, more important still, by its power of innovation, renovation and competition (the qualitative standard).

Therefore, if we want to change Shenzhen's electronics industry into that of a foreign-oriented type, we must first rely on the absorption of foreign capital, technology, equipment and skilled personnel. We must also choose those high-grade items that have been technically confirmed as advanced electronic products and advanced technologies (that is, the highly knowledge- and technology-intensive items). We must not have too many electronic enterprises with lateral ties at home if they can produce only ordinary products. We must choose those with fairly strong technological resources in production to form

such ties; otherwise, we will not be able to "scale the height" and guarantee their foreign-orientation.

We suggest that the electronic enterprises now already in Shenzhen should be centrally organized and regulated by Shenzhen's municipal industrial commission, while some of them that are good at earning foreign exchange and accumulating funds should be left to undertake the processing of materials and assembling of parts supplied by customers, on the basis of which, they will gradually increase the production and use of their own components in the assembly line. (Examples of these enterprises are the "Huaqiang" and "Kangle" companies.) Those assembling enterprises which operate only intermittently should switch to other lines of production. Foreigners would never unconditionally let us process or assemble their most advanced, knowledge- and technology-intensive products which are selling well on the international market and at high profits. Furthermore, we would be subjected to other people's restrictions in undertaking the processing of customer-supplied materials or parts. We will not be able to compete on the market or to basically raise the standards of our productive forces for modernization. If we simply sell our labor or help other people sell their products on the international market and still think that we can play the role of "four windows" and "fanning out in two directions," this would be sheer wishful thinking.

We also believe that Shenzhen should concentrate its funds and talents on the three major categories of products. For the development of color televisions and other household electrical appliances, for example, "Shenzhen Municipal Liming Electric Enterprise" should enjoy priority. For the development and production of integrated circuits, large-scale integrated circuits and other key components of the modern microelectronic industry, "Shenzhen Communications Co" should enjoy priority. With the support of the municipal government, risky investment should be regulated in importing the most advanced technology and equipment for production and in building a production base starting at a high international level (not for processing materials or assembling parts supplied by customers). It is hoped that in about 5 to 6 years, the quality of Shenzhen's electronics industry could be raised to the advanced international level and thus ensure its foreign orientation. The SEZ will then be able to live up to the expectation of the party Central Committee and all the people in the country by serving as the "four windows" and by "fanning out in two directions."

The final point we want to make is that, based on the many years' experiences at home and abroad, the government's support and organized regulations are indispensable to the foreign orientation of Shenzhen's electronic industry and to its competitive power on the international market. Such support and organized regulations should be greatly strengthened. Instead of being contradictory, they are supplementary to the simplification of administration and delegation of authority to the enterprises.

9411/12790
CSO: 4006/347

SPECIAL ECONOMIC ZONES

FOREIGN-ORIENTED INDUSTRY DEVELOPING IN SHENZHEN

Shenzhen TEQU DANG DE SHENGHUO [THE WORK OF THE PARTY IN THE SPECIAL ECONOMIC ZONE] in Chinese 15 Jul 85 pp 23-28

[Interview: "How Shenzhen Has Developed Its Industry and Turned It into a Foreign-Oriented Type--Responsible Person of Municipal Industrial Commission Answers Correspondents' Questions"; Place and date not given]

[Excerpt] Shenzhen's industry has developed rapidly and produced gratifying results in the past several years. Now this city is faced with the question of "scaling the height and becoming foreign-oriented." Since this is a matter of concern to many people, we have invited a responsible comrade of the municipal industrial commission to answer some questions.

[Question] In the past several years, Shenzhen's industry has developed very rapidly and produced gratifying results. Can you supply some details?

[Answer] Under the leadership of the CPC Central Committee, the provincial party committee, and the provincial government, our city's industry has developed fairly rapidly and produced great results in the past several years. Last year, in particular, we made new achievements in five different respects, namely, speedy development, negotiating imports, putting new enterprises into operation, developing new products and achieving good economic results. These achievements are concretely shown as follows:

First, industry has occupied the leading position in the structure of the city's national economy.

Second, the internal structure of industry has undergone significant changes. For example, the processing of customer-supplied materials has changed to the developing of our own products; the mainly labor-intensive type has gradually changed to the mainly technology- and knowledge-intensive type; and the home-oriented type has gradually changed to the foreign-oriented type of industry.

Third, reserve resources have been built up for the sustained acceleration of industrial development. There are now 150 industrial enterprises (of which 53 involve foreign businesses, 81 have domestic ties and 16 are run by ourselves) under construction and planned to be put into operation in 1985, and in the same year, the industrial output value can be increased by about 300 million

yuan. Contracts have been signed for the forthcoming construction of 307 enterprises (of which 129 involve foreign businesses and 178 have domestic ties) which are expected to go into operation and to become new productive forces within the next 2 or 3 years. There are still another 150 other projects now under negotiation although contracts have not been signed. Finally, there are many major projects under negotiation, pending approval and the finalization of construction plans. Among them are, for example, the Shajue Power-Generating Plant, the Float Process Glass Plant, the Titanium White Powder Plant, the TV Picture Tube Plant, the Oil Refinery, and Edible Oil Plant and the Guangdong Nuclear Plant. These projects will go into operation around 1990, and the total output value is expected to exceed 3 billion yuan. Thus, the speed of industrial development in the 1990's is expected to be quite high. At the same time, the old enterprises and the projects imported in recent years, after incessant and organized technological improvement, will continue to increase the productive capacity both intensively and extensively.

Fourth, because of all these factors, we have had a good start in industrial development in the first and second quarters of this year. All these achievements have shown that Shenzhen's industry is now developing in line with the objective of serving as the "four windows" and is laying a solid foundation for its further development.

[Question] What are the new problems and new tasks confronting the SEZ?

[Answer] At present, Shenzhen SEZ is continuing to implement the central authorities' policy of "opening but not closing" in order to attract more investment from foreign entrepreneurs, and to strengthen their confidence in investment. Since the signing of the Sino-British Agreement, Hong Kong has continued to prosper steadily. This is highly advantageous to Shenzhen's development. Shenzhen SEZ has made great achievements after several years' construction. It has a primary basis for industrial development and has accumulated some experiences. The environment for investment has also continued to improve. All these are favorable conditions for its industrial development. This fine situation should strengthen our confidence. However, we should also look at the unfavorable aspects. There are now more competitors after the opening of the coastal cities and regions, and we are now under heavier pressure. We must make greater efforts and rely on real skill in developing our industry. Although the SEZ has developed fairly rapidly in recent years, the improvement of quality is still inadequate. Our skilled workers and technical resources are still insufficient, and the economic foundation is rather weak. For these reasons, we cannot play the role of "one key position which fans out in two directions," and serves as the "four windows." From now on, we still have to make great efforts to "scale the height" to change our industry from being home-oriented to foreign-oriented, and to make further improvement.

[Question] Why should the SEZ's industry be changed from being home-oriented to foreign oriented, and how will this change be accomplished?

[Answer] The SEZ should be mainly foreign-oriented. It should orient itself to the world, develop its international market, increase its competitive

strength, and boost China's foreign trade. Only thus could the SEZ serve as a medium of introducing foreign investment from abroad and forming lateral ties at home and the medium of combining coastal and inland areas for prosperous development. If it fails to accomplish this task, the SEZ will lose its significance and be unable to play its proper role. The development of Shenzhen's industry is being, though not mainly, oriented to foreign countries. If we look at the composition of its total industrial output value, we will see that in 1984, 62 percent of it came from enterprises involving foreign businesses and from the processing of customer-supplied materials. In the total sales volume of the same year, however, only 20 percent came from the international market, and 14.4 percent came from the domestic market outside the SEZ. The total sales in these two markets accounted for only 34.4 percent of the total sales volume.

Therefore, we must change the SEZ's industry from that of a home-oriented to that of a foreign-oriented type with balanced receipts and payments of foreign exchange as the minimum requirement. This, however, is a very arduous task, because this balance must be accompanied by a sustained rapid development and the importation of advanced technologies. We hope to accomplish this change in 3 years, that is, from 1986 to 1988.

The general outline of our future is that with balanced receipts and payments of foreign exchange as the goal, the SEZ's industrial products will be disposed of in different ways: first, to be sold on the international market; second, to be sold in the SEZ; third, to substitute for imports; and fourth, to be sold in the domestic market for RMB. In 1988, according to this plan, the first category will account for 30 percent; the second category, 20 percent; the third category, 20 percent; and the fourth category, 30 percent of the products.

To attain this goal, we must make great efforts and adopt a series of measures. (1) We must energetically develop our traditional products of the light, textile and pharmaceutical industries for exports in addition to the new food industry and the other industries with typical Chinese characteristics. (2) For those products which are in demand on the international market, such as certain components, spare parts and accessories, hardware, small mechanical and electrical appliances, industrial molds, standard parts, auxiliary products for major international industries, and products in daily use, we must bring into play the strong points of the SEZ in introducing investment from abroad and forming lateral ties at home in order to find our way into the international market. (3) We must study the problem of selling on the international market some modern industrial products which have not yet been exported. (4) We must open our markets in the Middle East and Africa, and study the Eastern European market so that we can export what they want. (5) Part of Shenzhen's industrial products should be sold locally. Stress should be laid on the development of substitutes for imports and of products that may appeal to the taste of Hong Kong and Macao compatriots and the foreign tourists. (6) In line with the policy of "trading markets for technology" and in accordance with the "Law of the PRC on Chinese-Foreign Joint Ventures," we must substitute some of the SEZ's products for imported commodities and sell them in China for foreign exchange. However, these products must be what the state wants to import and

their quality and prices must match those of foreign commodities. This is the method to support the SEZ's industrial development by raising the grades of products as well as by keeping the receipts and payments in foreign exchange balanced. (7) Efforts must be made to sell the products of the light, textile and new food industries on international markets. At the same time, we must make use of domestic raw materials to produce diversified minor commodities for daily use. These "foreign goods" produced in the SEZ will be sold on the domestic market. (8) Domestic goods in excessive supply and raw material or components which can be bought with RMB on the domestic market should not be developed in the SEZ. We may purchase what we want with RMB in the country and produce the final products to be sold at home or abroad. (9) Particular attention should be paid to the introduction of foreign investment from abroad and the establishment of lateral ties at home, and we must not undertake any project that is incompatible with our foreign orientation and incapable of earning foreign exchange. Any existing enterprise that cannot meet these demands must be thoroughly reorganized, while those enterprises run exclusively by the ministries or other provinces should maintain their own foreign exchange balance. The profits or losses of the enterprises having lateral ties at home should be proportionate to their shares, and they should be responsible for the balance of foreign exchange receipts and payments besides sharing their foreign exchange gains. (10) Effective policies must be adopted to encourage the foreign-oriented enterprises. For those enterprises whose new products can be sold on the international market, interest-free loans (local financial subsidies) or financial subsidies may be granted. Those enterprises whose foreign exchange earnings are impressive may enjoy tax exemption or remission. For the merits of the engineers, technicians and workers in trial manufacture for exports, the enterprises concerned should offer heavy rewards, while the leading cadres who have made outstanding achievements in transforming the home-oriented enterprises into foreign-oriented ones should also be highly rewarded by the municipal government.

[Question] To raise the SEZ's industry to a higher standard and to accomplish the change from the home-oriented to the foreign-oriented type, how will an industrial structure embodying the strong points and special characteristics of Shenzhen be formed?

[Answer] As for an industrial structure that is compatible with the orientation of its development, Comrade Liang Xiang [2733 3276], speaking on behalf of the municipal government, pointed out at a recent municipal cadres meeting that the guiding thought in industrial production should be the streamlining of the "five combinations" on the basis of introducing investment from abroad and forming lateral ties at home. They are the combination of new and traditional industries for development with advanced technologies, with the latter in the leading position; the combination of Chinese-foreign joint ventures or enterprises of exclusive foreign capitals and the state-owned and collective enterprises for development with priority for the former; the combination of personnel recruitment at home and recruitment from abroad with the training and recruiting of our own personnel in the leading position; the combination of domestic and foreign sales, with the latter in the leading position; and the combination of large, medium-size and small projects, with small and medium-size projects in the leading position. In light of realities

in the SEZ, these five combinations should become the guiding thought in the orientation of industrial development and industrial structure in Shenzhen.

I believe that in importing industrial projects, those of a technology-intensive type should be given priority; but this does not mean that hereafter, all the industries in the SEZ should be equipped with the fruits of the world's technological revolution and should produce only new industrial products. This is impossible and unnecessary for an SEZ. In industrial development, however, it is entirely necessary and possible that priority be given to the adoption of advanced technical equipment and that by mastering and applying the fruits of the modern technical revolution, we can concentrate our resources to make certain breakthroughs which will place Shenzhen in an advantageous position with its own characteristics. We envision three categories of industries in Shenzhen. The first category refers to industry equipped with the fruits of the modern technological revolution for the production of new industrial products. This category should account for about 20 percent of the total industrial output value. In order that Shenzhen may show its superiority and special characteristics, we should turn out a number of highly competitive products in four salient aspects: first, the use of large-scale integrated circuits and microelectronic technology; second, the manufacture of electronic computers and their popularization among various national economic sectors; third, the use of optical fibers and some modern telecommunications equipment; and fourth, the application of bioengineering with priority for the development of new food and pharmaceutical industries. The second category refers to the traditional industries which should be equipped with advanced technological equipment. This industry should account for about 60 percent of the total industrial output value. The category refers to traditional labor-intensive industry, which should be controlled in the SEZ. Some enterprises capable of being foreign-oriented and producing easily marketable products can be developed as neighborhood and township industries. This category should be kept below 20 percent of the total industrial output value. We must resolutely prevent any industry with serious pollution problems or poor prospects (so-called twilight industry) from entering the SEZ.

As to the size of factories, I believe it can be either large or small, and the industrial standards of a factory should not be judged by its size. As the situation actually stands, Shenzhen is developing mostly small and medium-size enterprises, apart from the capital construction projects of some large key enterprises. Small and medium-size enterprises require less investment, can be quickly put into operation, and are easier to manage. Furthermore, their product varieties can be more easily readjusted, and their personnel can be more easily trained.

As to the specific industrial branches to be developed, priority should be given to the electronics, petrochemical, light, and textile industries, and the new building materials and precision machinery trades. In addition, all industries using advanced technologies and producing goods for export can be developed through the introduction of investment from abroad and the establishment of lateral ties at home.

[Question] To raise the industry of the SEZ to a higher level and to accomplish its change from being home-oriented to foreign-oriented, continued efforts will be made in reforming the industrial structure and the management system, in order to form and consolidate a new management system. What are your plans and methods in these respects?

[Answer] Strengthened enterprise management, better enterprise qualities and continued improvement of economic results are the decisive factors on the success or failure of an enterprise. They have a bearing on the interests of the investors, the magnitude of success, and the SEZ's role as the "management window." Furthermore, it concerns the question whether the enterprise can be competitive on the international market and whether it can survive and develop. That is why we must carefully sum up our historical experiences in enterprise management and at the same time study the forms and methods of management in various countries of the world, including the developed capitalist countries, for large-scale socialized production. The SEZ should carefully choose the suitable methods, master and apply them in light of realities under China's socialist system, and turn them into typical Chinese enterprise management systems which will enable the socialist enterprises to fully demonstrate their superiority.

How should we approach the subject of management system for an enterprise? In my opinion, we should begin with quality control and economic accounting.

As for quality control, we should begin with the following tasks: first, educating all the workers and staff members in the sense of responsibility for developing China so that they will eagerly participate in quality control; second, setting up quality standards periodically for each enterprise, based on international standards, national standards and the qualifications of the products for the international market; third, transforming the equipment and technical process of factories according to the required quality standards; fourth, assigning and training of engineers, technicians and skilled workers according to the quality standards; fifth, encouraging the broad masses to offer sensible suggestions for tackling difficult problems and technical improvement on the basis of the quality standards; sixth, establishing quality-inspection organs duly equipped with quality checking devices and setting up a system of quality inspection according to the work process and a system of job responsibility mainly to guarantee quality; eighth, setting up and enforcing a system of rewards and punishments to guarantee up-to-standard quality and linking this system with the workers' pay raises; and ninth, allocating funds, setting up organs and organizing special work forces to engage in developing new products and improving quality.

As for economic accounting, there are now several jobs to be attended to, such as setting up some financial branches and strengthening them with a full staff of financial workers and accountants employed through recruitment or appointed after training. If a financial accounting system has not yet been set up as required by the state's financial organs or in accordance with the law of Chinese-foreign ventures, such a system must be set up without delay. Plans must be worked out for product costs in order to strengthen cost accounting. The control of funds should be tightened so as to speed up their turnover. A

system of financial settlement should also be set up, and the increase in the wage funds of an enterprise must be linked with its economic results (including the taxes paid and profits delivered). If conditions permit, all enterprises should popularize the system of all-round economic accounting.

9411/12379
CSO: 4006/343

LABOR AND WAGES

LIAONING TRADE UNION COUNCIL PLENUM STRESSES HEALTHY TRENDS

SK200749 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 19 Dec 85

[Text] At the Second Plenary Session of the Fifth Provincial Trade Union Council which ended on 18 December, Chen Suzhi, Standing Committee member of the provincial CPC committee and director of the provincial Trade Union Council, stressed: Trade union organizations at all levels across the province should give play to their special role as the workers' home and fulfill their duty and make contributions to improving the social climate.

Chen Suzhi said: Taking advantage of the favorable factor of maintaining close ties with workers and the masses, all trade union organizations should give wide publicity to the new figures, deeds and habits that have emerged in various fields, and should encourage healthy trends and check unhealthy ones. At the same time, trade union organizations should encourage workers and staff members to vigorously help each other ideologically and to conduct criticism and self-criticism. Those correct and reasonable suggestions offered by workers and staff members should be earnestly accepted so that we can create a sound environment for conducting criticism and self-criticism. As for those workers and staff members who have offered incorrect or unreasonable suggestions, education should be conducted among them, and explanations should be made for them in order to prevent them from being overcritical of the party's principles and policies and from being apt to grumble and make trouble so that we can bring about a lively and vital political situation in which centralism, discipline, and unity will go hand in hand with democracy, freedom, and the individuals' ease of mind.

At this plenary session, (Zhou Huaman), age 46, former deputy secretary general of the provincial Trade Union Council, was elected additional vice chairman of the provincial Trade Union Council.

/8309
CSO: 4006/463

LABOR AND WAGES

JIANGXI MEETING ON PLACING DEMOBILIZED SOLDIERS HELD

OW171010 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 15 Dec 85

[Text] The provincial conference on placing demobilized soldiers and retired military cadres was held in Nanchang from 7 to 12 December. It reviewed work of placing demobilized soldiers and retired cadres in 1985, exchanged experience and made work arrangements for 1986.

Jiang Zuping, member of the Standing Committee of the provincial CPC committee and vice governor, attended the conference and spoke.

The conference held that the province has rather successfully carried out the 1985 task of placing demobilized soldiers and retired military cadres. Most of the retired soldiers and cadres are satisfied and are making new contributions to the four modernizations.

The conference stressed that the 1986 work of placing retired soldiers and cadres will be carried out in the background of structural reform, administrative streamlining, and reorganization of the Army, and the deepening development of the reform of the economic structure in both urban and rural areas. The work volume is enormous and the task is heavy. All localities must earnestly carry out this work under the prerequisite of enhancing ideological and political education. In urban areas, we must continue to implement the method of assigning quotas to departments, enforcing a system of responsibility, and dealing with each case according to its circumstances and in the light of the performance of the departments. We should do all we can so that the overwhelming majority of retired soldiers will get new jobs by the Spring Festival. It is necessary to properly place wounded, sick or disabled soldiers. Rural areas should pay special attention to developing and employing personnel who are competent in both military and civilian services and help retired soldiers properly solve practical problems in production, livelihood, housing, medical care, and marriage. We must take active steps to speed up the pace of placing retired cadres. Continued efforts should be made to accelerate housing construction, reinforce placement and management organs, and improve management of funds and materials so that we will be able to complete the task of placing the first and second batches of retired military cadres by the end of June 1986.

/8309
CSO: 4006/463

LABOR AND WAGES

ZHEJIANG'S XUE JU ATTENDS MODEL WORKERS MEETING

OW181440 Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 17 Dec 85

[Summary] A meeting to commend model workers and advanced collectives in Zhejiang was solemnly held at the Great Hall of the People in Hangzhou this afternoon.

"Seated on the rostrum were party, government, and military leaders in Zhejiang and Hangzhou City Xue Ju, Chen Fawen, Wu Minda, Luo Dong, Shen Guifang, Li Dexin, Tie Ying, Li Fengping, Xu Qichao, Li Qing, and Wang Jiayan and representatives of the model workers."

At 1400, Chen Fawen, deputy secretary of the provincial CPC committee, announced the opening of the meeting. Nine hundred and twenty-five representatives of model workers and advanced collectives of all fields attended the meeting.

"Wu Minda, deputy secretary of the provincial CPC committee and vice governor of Zhejiang, delivered a speech at the meeting. He said: This meeting is another grand meeting of heroes since the meeting of model workers in 1982. On behalf of the Zhejiang Provincial CPC Committee and the provincial people's government, I wish to extend my sincere greetings and warm congratulations to the model workers and advanced collectives. You have performed good deeds for the people, the party, and the country. The people, the party, and the state appreciate your efforts. You have set a good example for all the people in the province!"

"Comrade Wu Minda hoped that the model workers would continue to play their exemplary role well in developing material civilization and spiritual civilization and in carrying out the economic structural reform. On behalf of the provincial CPC committee and the provincial government, he called on all the people in the province to learn from the model workers and the advanced collectives and extensively carry out the various activities to emulate and catch up with the advanced."

Amid warm applause, leading Comrades Xue Ju, Chen Fawen, Wu Minda, Tie Ying, Li Fengping, Li Qing, Wang Jieyang, and others presented awards to 16 representatives of the model workers and advanced collectives.

"After the awards were presented, Governor Xue Ju delivered a report on the current situation to the model workers and the representatives of advanced collectives." [no details of the report]

LABOR AND WAGES

BRIEFS

NEI MONGGOL URBAN EMPLOYMENT--From January to September this year, Nei Monggol made job arrangements for some 137,000 urban people, fulfilling 81.3 percent of the annual plan. Compared with last year, some 24,000 more people were placed. Among employed people nearly 90,000, or 65 percent, were placed in collective units, and some 25,000 underwent technical training. [Excerpts] [Hohhot NEIMENGGU RIBAO in Chinese 29 Nov 85 p 2 SK] /8309

CSO: 4006/463

TRANSPORTATION

BRIEFS

JIANGXI TRANSPORT PROJECTS--During the Sixth 5-Year Plan Jiangxi Province improved the Jian-Suichang section of the Sichuan-Jiangxi Highway, all trunk highways from Nanchang to major cities in the province were paved with asphalt, and the transport department bought 2,600 new motor vehicles. The province also built or expanded 4 wharves and dredged a 95-kilometer section of river channel between Ganzhou and Wan'an. The provincial shipping company has inaugurated a shipping route from Nanchang to Shanghai. [Summary] [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 30 Dec 85 OW] /8918

GUANGXI COMPLETES NEW RAILWAY--A grand ceremony was held on 29 December 1985 in Qinzhou City to mark the completion of railway track laying to Qinzhou City on the Nanning-Fangcheng railway. [Summary] [Nanning Guangxi Regional Service in Mandarin 1100 GMT 5 Jan 86 HK] /8918

ZHEJIANG TRANSPORTATION DEVELOPMENT--During the Sixth 5-Year Plan Zhejiang Province built 4,400 kilometers of highways and paved 1,124 kilometers of roads. In 1985, transportation enterprises in the province carried passengers amounting to 11 billion man-kilometers, and handled cargo transport totalling 12 billion metric-ton-kilometers. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 6 Jan 86 OW] /8918

SHANTOU BULK CONTAINER DOCK--Guangzhou, 31 Dec (ZHONGGUO XINWEN SHE)--It has been decided that Shantou Port's first bulk container dock is to be available for official use on 1 January 1986. The new dock can berth 3,000-ton cargo ships and handle 150,000 to 200,000 tons of cargo a year. It mainly serves the freight transport of imports and exports between Shantou and Hong Kong. The dock was completed in August 1985 and operations have gone smoothly since it was used experimentally on 27 August. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 1442 GMT 31 Dec 85 HK] /8918

NEW HIGHWAY INAUGURATED--A ceremony was held this morning to inaugurate a new highway and an overpass, which are part of the Feidong section of the Hefei-Nanjing highway. Governor Wang Yuzhao and Yang Yongliang, secretary of the Hefei Municipal CPC Committee, cut the ribbon to inaugurate the new highway. Speaking at the ceremony, Vice Governor Meng Fulin said: Today is the first day of the Seventh 5-Year Plan. Anhui's highway construction as well as the construction and management of its highway facilities must be intensified. [Excerpts] [Hefei Anhui Provincial Service in Mandarin 1100 GMT 1 Jan 85 OW] /8918

YUNNAN COMMUNICATIONS, TRANSPORT DEVELOPS--During the Sixth 5-Year Plan period, the communications and transport work in Yunnan Province has developed relatively greatly. The volume of goods transported in these 5 years was 69.61 million tons, the rotation volume of passengers and goods transport was 9.25 billion ton kilometers, and the amount of profits made was over 310 million yuan. The province overfulfilled Sixth 5-Year Plan quotas 1 year ahead of schedule. The province now has some 50,000 transport specialized households and the number of motor vehicles owned by individual households and joint households has reached 6,700. The province has 7,700 motor vehicles for civilian use and 1,500 transport routes. [Summary] [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 31 Dec 85 HK] /8918

JIANGSU'S NANTONG HARBOR--By 27 December, Nantong Harbor had handled 10.03 million metric tons of cargo this year, up 25 percent from the corresponding period in 1984. The profits earned by the harbor in 1985 amounted to 18 million yuan, or 150 percent more than 1984. [Summary] [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 27 Dec 85 OW] /8918

CSO: 4006/545

TAIWAN

TRADE OFFICIAL ON PROTECTIONISM IN U.S.

OW030309 Taipei CNA in English 0238 GMT 3 Jan 86

[Text] Taipei, Jan 2 (CNA) -- Board of Foreign Trade Director General V. C. Siew, warned Wednesday that the trade protectionist sentiments in the United States will further expand in this new year. He called on the nation's manufacturers to closely watch the development and to take necessary countermeasures to assure the continuous industrial development of the nation.

Siew pointed out that since the huge budgetary and trade deficits will not be easily solved in a short time and the mid-term congressional elections will be held this year, American desires for trade protectionism will certainly continue or expand.

He predicted that the U.S. law making bodies will pass this year the trade promotion bill raised by Senator Robert Dole. The bill suggested the elimination of the Republic of China, Korea, Singapore and Hong Kong from the generalized system of preference.

He further pointed out that the U.S. Government will very possibly request in the multilateral fiber talks to be held this year, that silk and linen products be included into the list of quotas and to ask its trade partners to further lower the annual growth rates of the industries limited by quotas. The current accorded maximum growth rate is set at 6 percent.

The Boft chief said that his office will continue to talk with American trade authorities in an effort to reduce the possible harm to this nation to the minimum. Meanwhile, he said the government will continue to make advances in the liberalization and internationalization of this country's trade, and to open domestic markets by further lowering import tariffs. He also called on manufacturers to cooperate with the government to accelerate the task of industrial upgrading and to diversify their markets abroad.

/12640
CSO: 4020/162

TAIWAN

OFFICIAL MEETS HONG KONG UNION OFFICIALS

HK010528 Hong Kong SOUTH CHINA MORNING POST in English 1 Jan 86 p 1

[Article by Walter Cheung]

[Text] Up to 100,000 people from Hong Kong would apply to emigrate to Taiwan in the face of political instability here or in China before 1997, a senior Kuomintang official predicts.

The remark was reportedly made by the secretary-general of the KMT's Overseas Work Commission, Mr Cheng Hsin Hsiung, to 37 officials of 21 independent labour gorups in Hong Kong.

They were said to be the first group of representatives from Hong Kong's independent unions invited by Taiwan's Chinese Federation of Labour, whose unions comprise about 1.2 million members.

An influential unionist who was one of the delegates agreed that some people in Hong Kong would move to Taiwan but felt that the estimate was "an exaggeration and too high."

The source who returned with other delegates on Monday night after a 10-day visit said Taiwan had not decided how many Hong Kong residents it would accept.

Mr Cheng was quoted as saying that Taiwan would boost its investments in Hong Kong and would also relax the application procedures of visas and admission criteria to post-secondary colleges.

The delegates also held discussions with a senior government official, Mr Tseng Kuang-shun, who is minister of the Overseas Chinese Affairs Commission.

Another delegate described Mr Tseng as well-informed on Hong Kong matters.

Mr Tseng repeated to the visitors Taiwan's policy not to negotiate with the communist regime.

The delegate said he was impressed by the achievements of labour groups in Taiwan.

"Union movement there is more advanced than in Hong Kong," he said.

"Labour leaders are more influential and are zealous in fighting for employees' benefits."

Among the delegates was an executive committee member of the Basic Law Consultative Committee, Mr Lee Kaiming.

Mr Lee stressed that he went there as secretary of the Hong Kong Storehouses and Transportation Staff Association, and was only a member of the delegation instead of being a co-chairman.

Mr Lee said the invitation from the federation was made before he was nominated to the consultative committee.

Other delegates included chairman of the Federation of the Civil Service Unions, Mr Wong Wai-hung and the director of the Christian Industrial Committee, Mr Lau Hin-shek.

/12640

CSO: 4020/162

TAIWAN

TAIPEI VIEWS 'CHALLENGES' FACING TAIWAN IN 1986

OW021423 Taipei International Service in English 0200 GMT 2 Jan 86

[Station Commentary]

[Text] People in the Republic of China are joining the rest of the world in celebrating New Year's Day today. Indeed, the 19 million people in Taiwan have many blessings to count as they enter the new year.

They are prosperous and free. They have fought no war since the 1959 Taiwan Straits crisis. Political and social stability in Taiwan is among the best in the world.

But the path for free China is not strewn with roses all the way. The year 1986 will be another year of challenge to the country, and the challenges are likely to be tougher than in previous years.

First and foremost are the economic challenges. As the Republic of China is poor in natural resources and lacks a large domestic market, foreign trade will remain as its lifeline. With the rise of protectionism all around, trade expansion will become a herculean task in the year ahead.

One way to beat trade barriers in its overseas markets is for the Republic of China to open its own market to foreign goods. We are glad to note that the government is already taking steps in that direction.

Free China has been cracking down hard on piracy and commercial counterfeiting in the last couple of years. The crackdown will have to be stepped up so as to eliminate the evil practices completely in the next 12 months. Only then can the nation hold its head high before its trading partners.

Looking across the Taiwan Straits, the people in the Republic of China will see the worsening of the confidence crisis on the Chinese mainland as the communist regime will be steadily weakened by its growing corruption and inefficiency.

Inflation on the mainland is likely to get worse. So will the growing student unrest there. Another round of fierce power struggle within the

communist hierarchy in the coming year cannot be ruled out.

Nonetheless, Peking is expected to step up its united front war against the Republic of China. It will continue selling its phony "one country, two systems" formula on the one hand while preparing for a military conquest of Taiwan on the other.

So the challenge from the Chinese communist regime will be the number one concern of the government and people of free China. Perhaps they can do very little to make others see the folly of befriending Peking. But it does not mean that they should stop exposing the regime's conspiracies.

Above all, free China must remain fully prepared to thwart Peking's plan to blockade Taiwan or launch a military invasion from across the Taiwan straits. This calls for a strong deterrence. So long as the nation has that deterrence, the communists will have to think twice before they move.

The cost for a creditable defense capability will not be cheap. The people of Free China understand that and is [as heard] ready to pay for it.

/12640

CSO: 4020/162

TAIWAN

BUDGET DIRECTOR PREDICTS 4 PERCENT GROWTH FOR 1987

OW0240253 Taipei CNA in English 0236 GMT 24 Dec 85

[Text] Taipei, Dec 23 (CNA) -- The Central Government's budget for fiscal 1987 will show a 4 percent increase over that of this year. A large part of the increase will go to the public investment projects with the aim of revitalizing the nation's economy at an early date, Chung Shih-yi, director general of the budget, accounting and statistics [DGBAS], said Monday.

Reporting on the principle in compiling the government's budget next year at a press conference, Chung said that Premier Yu Kuo-hwa has instructed the DGBAS to place the priority on the budget for the 14 major construction projects. Increases in the number of government employees, unless they are very necessary, should be strictly limited to keep the government's outlays at their present level, he said.

Chung also said that the government is expected to run in the red by some NT dollars 20 billion (U.S. dollars 500 million) next year due to the worldwide economic stagnancy and the cut on import tariffs. If the situation requires, the government will issue bonds to cover its deficits, even though it is not a good policy, he said.

He also reiterated the government's determination to complete the 14 construction projects on schedule, saying that the government will soon work out a set of regulations to discipline those officials who fail to catch up with the schedule set by the Government. In the meantime, proper awards will be given to those who complete the projects ahead of the schedule, he added.

/12640
CSO: 4020/162

TAIWAN

CENTRAL BANK EASES INTEREST RATES CONTROL

OW061114 Taipei CHINA POST in English 3 Jan 86 p 12

[Text] The Central Bank of China (CBC) has set short, medium and long-range goals to liberalize domestic bank interest rates moderately, CBC Governor Chang Chi-cheng said yesterday.

The measures for the short term are to widen the gap between upper and lower limits on lending rates to enable bank authorities to make flexible changes by referring to the domestic money market situation while setting their lending rates.

The CBC will also simplify the ceilings of 12 deposit rates to four, giving banks a free hand to adjust deposit rates in line with domestic market changes and their own capital structure. The four rates are for demand, savings time and demand savings deposits.

For the medium-range goal, the CBC will set only maximum rates for deposits and the minimum rates for lending.

The long-term goal is the full liberalization of all bank interest rates.

The ROC Bankers Association has agreed to liberalize interest rates for savings deposits beginning late this month. They will announce the regulations for local banks to observe in simplifying the ceiling of four deposit rates after they are approved by the Ministry of Finance.

At the initial stage, the maximum rate for the demand savings deposits will be maintained at the same level approved by the CBC recently. Commercial banks will also be allowed to set their own rates so long as they are maintained under the ceiling, according to Sun Yi-hsuan, chairman of the Bankers Association.

Since it is the first time to liberalize interest rates, commercial banks may need some time to adjust, Sun said, adding they may begin listing their rates late this month.

/12640
CSO: 4020/162

TAIWAN

EXPERTS WARN OF EFFECTS OF INCREASING TRADE SURPLUS

OW210307 Taipei CNA in English 0244 GMT 21 Dec 85

[Text] Taipei, Dec 20 (CNA)--Several economic experts here expressed their worry about the increasing trade surplus of this nation Friday, saying it will probably result in some adverse effects on this nation's economy.

According to statistics released by the Customs Office Friday, the Republic of China's trade surplus reached a record high of some U.S. dollars 10 billion as of Thursday this week.

A private economics expert, who asked not to be identified, said the foreign exchange reserves owned by domestic banking institutions have increased greatly as a result of the expanding trade surplus.

This, he added, will be helpful to raising this nation's financial credit in the world.

However, he said that the increasing money supply brought by the large amount of foreign exchange reserves will force the commodity prices here to climb in the future although the prices have been declining due to weak demand in the domestic market.

Koo Chen-fu, chairman of the Chinese National Association of Industry and Commerce said that the great trade surplus was made by the increased exports and decreased imports. This, he added, was an indication of the outflow of this nation's limited resources.

The outflow trend, if continued, will damage the ROC's export capability in the future, Koo said.

Another private expert, who also asked not to be named, suggested that government speed up its pace of liberalizing imports and loosening control on foreign exchange. These measures, he said, will help rid this nation of the possible "side effects" resulting from the trade surplus.

/12640
CSO: 4020/162

TAIWAN

FOREIGN INVESTMENT IN 1985 HITS NEW HIGH

OW061331 Taipei CNA in English 0946 GMT 6 Jan 86

[Text] Taipei, Jan 6 (CNA)--Ethnic Chinese and foreign nationals invested U.S. dollars 720 million in 1985, showing an all-time high of 25.72 percent over the level in 1984, the Economics Ministry's Investment Commission reported Monday.

It was the largest growth over the period of the past 32 years, an official of the commission explained.

The total foreign and overseas Chinese investments included foreign investments in stock exchanges worth more than U.S. dollars 80 million, he said.

If deducting the stock exchange investments by foreign firms, the entire investments of foreign and Chinese entrepreneurs from abroad last year amounted to more than U.S. dollars 620 million, up 11.1 percent, according to the investment commission official.

It was also a record high in recent years. The official described the growth as an indication of confidence from the ethnic Chinese and foreign businessmen toward the economic development in the ROC [Republic of China].

A spokesman for the Investment Commission also said that the existing government regulations stipulate that foreign nationals are not allowed to conduct direct transactions of stock exchanges in this country.

However, he added, foreigners may purchase stocks here through the distributions overseas by the International Investment Trust Company, making it indirect investments by foreign businessmen.

The spokesman pointed out that such foreign investments were never considered as investments on this island in the past.

The Investment Commission plans to list such investments as formal investment projects in the ROC beginning this year, he revealed.

Statistics released by the Investment Commission indicated that, in 1985, new foreign capital investments accounted for U.S. dollars 660 million in 107 application projects, while new overseas Chinese investments totaled U.S. dollars 41 million in 67 cases.

Among overseas Chinese investment deposits, Chinese in the Philippines poured in more than U.S. dollars 15 million, followed by Chinese residents in Hong Kong with U.S. dollars 11 million, and by Chinese in the United States with U.S. dollars 7 million.

Americans topped the list of foreign investors, accounting for over U.S. dollars 330 million, as Japanese investments totaling U.S. dollars 140 million, and Hong Kong investors reaching U.S. dollars 17 million, and Europeans with U.S. dollars 10 million.

Most of the foreign and ethnic Chinese investments went to the chemical industry, occupying 30.5 percent of the total investments. The electronic and electrical appliances absorbed 19.8 percent, machinery and equipment had 12.3 percent, and the services industry registered 7.03 percent.

The largest U.S. investor last year was DuPont which poured in U.S. dollars 160 million for the establishment of its branch in the ROC.

/12640
CSO: 4020/162

TAIWAN

PLANS TO IMPROVE EXPORTS TO EUROPE

OW070417 Taipei CNA in English 0256 GMT 7 Jan 86

[Text] Taipei, Jan 7 (CNA)--The China External Trade Development Council (CETDC) has decided to focus on helping local manufacturers penetrate European markets this year, said CETDC's Secretary General Chiang Pin-kung.

The CETDC decision, explained Chiang, comes in response to the rise in value of European currencies and the weak trade relations between Taiwan and Europe. He noted that the European market is one of the largest in the world, with annual imports worth U.S. dollars 728.7 billion (not including the East European market). In terms of value, European imports make up 41.9 percent of the world total, which is 15.5 percent and 7.3 percent higher than U.S. and Japanese imports, respectively. However, European Imports from Taiwan each year take only 4 percent of the region's overall total.

In an effort to help local exporters penetrate the European market, CETDC has decided:

- To attend 13 well-known industrial products shows and three parts and accessories shows held in Europe in order to establish the image of Taiwan products in the area and pave the way for OEM (original equipment manufacturing) business in Europe.
- To elevate the qualifications required of local manufacturers to attend those shows.
- To sponsor trade delegations to northern as well as southern Europe.
- To hold eight European catalog shows in Taiwan in order to help European manufacturers sell products here.
- And to reinforce European market research.

/12640

CSO: 4020/162

TAIWAN

OFFICIALS COMMENT ON TALKS WITH TOYOTA

OW200443 Taipei CNA in English 0319 GMT 20 Dec 85

[Text] Taipei, Dec 19 (CNA)--Economics Minister Li Ta-hai will meet Gentaro Tsuji, vice president of Japan's Toyota Motor Co, on a joint venture project between Toyota and Kuo Jui Motor Co, a domestic car maker Friday.

Tsuji arrived here Wednesday to discuss with Chinese officials the project, under which Toyota will invest a total of NT dollars 5.1 billion (nearly U.S. dollars 130 million) in producing 40,000 passenger cars and 20,000 trucks as well as spare parts and components annually.

Vice Economics Minister Wu Mei-tsun said the past 2-day lower-level discussions between Toyota personnel and Chinese officials have drawn the two sides closer to an agreement.

Wu said, Tsuji will meet Minister Li for further exchange of views on this issue. "If everything goes smoothly, Toyota is expected to formally apply to the investment commission Friday for the investment," he added.

Li Tai-hai said previously that the government will approve Toyota's application quickly as long as it promises that its plan will meet the requirements of the ROC motor industry development project.

Meanwhile, several ranking ROC [Republic of China] officials expressed their welcome of Toyota's investment here. Chao Yao-tung, chairman of the Council for Economic Planning and Development said Thursday that he personally is very pleased to see the no 1 small car maker in Japan enter a joint venture with an ROC firm.

An official with the Economics Ministry, who asked not to be named, said that Toyota's investment here is expected to result in an ever-sharpening competition among domestic car makers, and only those who manage to sell cars abroad instead of in the limited Taiwan market can survive the competition. "From this point of view, Toyota's investment will be helpful to raising the technical level of the ROC motor industry," he added.

/12640
CSO: 4020/162

TAIWAN

'EXPERT' VIEWS PRC STATEMENT ON ADB MEMBERSHIP

OW200415 Taipei CNA in English 0258 GMT 20 Dec 85

[Text] Taipei, Dec 19 (CNA)--The Peiping regime's attitude toward the Republic of China [ROC] membership in the Asian Development Bank indicates that its united front tactics are nothing but interim measures aimed at cheating the world, a Chinese expert in mainland Chinese affairs working with a private organization said in Taipei Thursday.

The expert, who preferred anonymity, made the comment in response to a statement by a spokesman for the Red Chinese "Foreign Ministry" concerning Peiping's stand in joining the ADB.

The spokesman claimed that the Republic of China may continue its membership in the ADB only in the name of "Chinese Taipei" after Peiping enters this regional monetary organization. He also said the terminology "Chinese Taipei" should be interpreted as "the Taiwan Area under (RED) China." The spokesman's remark clearly reflects Peiping's zealous attempts to turn the ROC Government into a local government under its jurisdiction, the expert said.

Peiping's high-handed gesture on this issue has also proved that its united front tactics, such as calling for "one nation, two systems," "peace talks" and the "third cooperation between the Kuomintang and the Chinese Communist Party," are aimed at weakening the people's resistance against communism and winning the sympathy of those who do not understand the nature of the Chinese communists, the expert said.

The expert has called on the people to heighten their vigilance against Peiping's united front tactics, the eternal purpose of which, he said, is to terminate Taiwan's democracy and prosperity.

/12640
CSO: 4020/162

TAIWAN

BRIEFS

SUCCESS AGAINST COUNTERFEITING--Taipei, Dec 19 (CNA)--The U.S. House of Representatives in a recent report in its investigation of intellectual property rights protection in other countries, praised the republic of China for its efforts and achievements in cutting counterfeits, the Board of Foreign Trade [BOFT] said Thursday. The BOFT said that the report indicates that the nation's efforts to deter counterfeiting has not only produced concrete results but also won positive responses from other countries. A Dutch parliamentarian, while attending a meeting of the European Economic Community, also cited statistics compiled by U.S. Customs to explain that Taiwan is no longer a source of counterfeits. He told other participants in the meeting that he deeply appreciated the nation's efforts and achievements in this regard, the BOFT said. According to those statistics, the percentage of counterfeits from Taiwan confiscated by U.S. Customs has declined from 56.1 percent in 1982 to 2.2 percent in the first half of 1984. The BOFT also indicated that in an annual conference of the international anti-counterfeiting league held in the United States in November, representatives from many countries also praised the ROC's achievements in this regard, calling on other developing nations to follow the ROC's example. [Text] [Taipei CNA in English 0314 GMT 20 Dec 85] /12640

EXPORTS SHOW GROWTH--Taipei, Dec 28 (CNA)--The Republic of China's [ROC's] exports in November had shown a positive growth for the first time in recent months, and its industrial productivity had also begun to pick up during this period, the Council for Economic Planning and Development (CEPD) said Friday. The CEPD, in its report on the nation's economic situation in November, predicted that the ROC's exports will increase next year as a result of the devaluation of the U.S. dollar against the Japanese yen and major European currencies. To help maintain a stable growth of the nation's economy, the CEPD suggested that the government adopt measures to encourage investment and stimulate imports of foreign products. The nation's imports in November were still less than that of the same month last year, the CEPD said, cautioning that the continued increase in the nation's trade surplus, which had accumulated to U.S. dollars 9.6 billion as of the end of November, will constitute a pressure on price hikes. The CEPD has called on the people to pay attention to this trend, and work out feasible measures to resolve this problem. [Text] [Taipei CNA in English 1359 GMT 28 Dec 85] /12640

TRADE PROBLEMS MINOR--Taipei, Dec 29 (CNA)--Fredrick Chien, representative of Coordination Council for North American Affairs [CCNAA] in Washington, D.C., said Saturday upon his return that trade issues are the only problems existing between the Republic of China and the United States. Relations between the two nations have been cordial, he said. There has been no especially "unpleasant" occurrence in the past year except some minor economic and trade problems, he said. Trade cooperation, if based on equality and reciprocity, will benefit both sides, he said. The mounting protectionism in the United States is understandable as its increasing imports will cause serious unemployment there, he pointed out. The Republic of China's efforts to improve the trade imbalance have been acknowledged by the U.S. authorities. And they excluded this nation from the list of countries for unfair trading investigation, he said. Chien, however, cautioned domestic traders not to be optimistic because more trade bills will be raised in the U.S. Congress although President Ronald Reagan has vetoed the Jenkins bill. Accompanied by his wife, Chien returned Saturday night for a 2-month stay. [Text]
[Taipei CNA in English 0233 GMT 30 Dec 85] /12640

TARIFF CUTS--Taipei, Dec 28 (CNA)--The Legislative Yuan's Committees of Finance and Economic Affairs Saturday approved the tariff cuts on the imports of wine and cigarettes from the United States. At a joint meeting convened to screen the revision of regulations on import tariffs, legislators agreed that the tariff rates for the import of wine from the States be lowered from the current 65-75 percent to 50-60 percent. Meanwhile, the import tariffs for U.S.-produced soft drinks will be lowered from 50-75 percent to 30-50 percent, and those for chocolate and other cocoa-containing food-stuffs, to 30 percent. The Republic of China promised to make the tariff cuts in recent trade talks with the U.S. authorities held in Washington, D.C. in an effort to help improve the trade imbalance between the two nations. [Text] [Taipei CNA in English 0309 GMT 30 Dec 85] /12640

ANTIINFLATIONARY MEASURES TAKEN--The Central Bank of China (CBC) will adopt four measures to counteract inflationary pressure caused by the huge trade surplus of over U.S. \$10 billion, the bank's governor Chang Chi-cheng said yesterday. These measures include: --Issuing treasury bills. In addition to issuing treasury bills regularly every 2 weeks, extra bills will be issued when it is necessary to adjust the money supply. To strengthen the function of the treasury bills, the period for the repayment will be extended to 364 days. In 1985, a total of NT \$105.5 billion in treasury bills have been issued. --Creating time deposit accounts for local monetary institutions. By the end of last year, the Central Bank had registered a profit of NT \$26 billion from the combination of 2-year and 3-year time deposits. --Starting savings lotteries. In order to absorb funds from individuals, foundations and societies and all non-monetary institutions. Three-year savings lotteries, at a total amount of NT \$4 billion have been initiated from December 26 last year. --Raising the rate for the transfer of postal savings to the Central Bank. As postal savings have broken the NT \$500 billion mark, the CBC has increased its transfer rate from 25 to 35 percent to relieve the pressure of idle capital on four other local banks. [Text] [Taipei CHINA POST in English 3 Jan 86 p 12] /12640

IMPORTS EXPANDED--Taipei, Jan 2 (CNA)--The government will further simplify regulations to expand imports and the domestic market, V. C. Siew, director general of the Board of Foreign Trade, said Thursday. To induce trade liberalization to move ahead, Siew said, the board has held thorough discussions on the government regulations which prohibit, control or limit imports of certain foreign products. Proposals were submitted to top authorities to deliberate, he said. The government will also continue the preferential measures to encourage imports from the United States this year. In addition, a large-scale American trade show will be staged here in March, he said. About 200 American companies have registered to join the exhibition, Siew pointed out. To make the show more successful, he said, the board has invited U.S. governors to form trade missions to visit here in March. Besides, Siew said, the board will sponsor a trade symposium in Taipei during the period of the show. [Text] [Taipei CNA in English 0235 GMT 3 Jan 86] /12640

STRONGER OVERSEAS OFFICES--Taipei, Jan 2 (CNA)--The Ministry of Economic Affairs is planning to strengthen the function of its overseas units by enforcing a regular transfer system for its overseas personnel and promoting direct contact between foreign and domestic traders. Vice Economics Minister Wu Mei-tsung said Thursday that many local businessmen have frequently complained to his ministry that they have lost many trade opportunities because the nation's overseas units could not send back the business information they needed in a timely manner. He said the main reason for the success of Japanese businessmen is that they can rapidly and effectively collect and transmit trade information around the world. In view of the small number of the nation's economic forces abroad, Wu said his ministry is studying to shift the focus of Moes's overseas operations from collecting information to contacting foreign traders so as to increase trade opportunities for domestic manufacturers. [Text] [Taipei CNA in English 0255 GMT 3 Jan 86] /12640

LEADING STATE ENTERPRISES--Taipei, Jan 5 (CNA)--Among the 27 state-run enterprises, the Central Bank of China is the largest one with a total capital of NT dollars 900 billion (U.S. dollars 22.5 billion), according to statistics compiled by the Directorate General of Budget, Accounting and Statistics under the Executive Yuan. The statistics show that by end of fiscal 1985, the second largest state enterprise fell on the Postal Deposit and Remittance Bureau which owns a total capital of NT dollars 525 billion. The Taiwan Power Company was placed third with NT dollars 514.2 billion. However, over 81 percent and 99 percent of the respective assets of the Central Bank of China and the Postal Deposit and Remittance Bureau are floating capitals while Taipower owns over 92 percent of fixed capital, the statistics show. Counting in the several new nuclear and thermal power plants to be constructed, Taipower has a good chance to seize first place in the future. Other state enterprises which own over NT dollars 100 billion of capitals are the Bank of Communications, the Directorate General of Telecommunications, the Chinese Petroleum Corp, the China Steel Corp, the Farmers Bank of China and the Central Trust of China. The total capitals of the 27 enterprises summed up to NT dollars 3 trillion by end of fiscal 1985, according to the statistics. [Text] [Taipei CNA in English 0246 GMT 6 Jan 86] /12640

WHOLE-PLANT EXPORTS--Taipei, Jan 4 (CNA)--Economics Minister Lee Ta-hai Saturday instructed agencies concerned in the Ministry of Economic Affairs to continue their efforts in expanding whole-plant exports, which are expected to top U.S. dollars 200 million in 1988. Lee gave the instructions after listening to a briefing by a task force for the promotion of whole-plant exports. The ROC's whole-plant exports in 1985 reached U.S. dollars 152 million, compared with only U.S. dollars 62 million in 1981, with Southeast Asia and the Middle East being its major markets, and chemical, cement and garment being the most popular items, according to figures compiled by the task force. Whole-plant exports, Lee said, though more risky, are more profitable and thus worth making more efforts to develop, in view of the nation's rapid progress in technological development over the past years. The minister also urged domestic manufacturers to cooperate in their work of design, production and trade so as to be more competitive. [Text] [Taipei CNA in English 0259 GMT 6 Jan 86] /12640

IMPORTS OF U.S. TOBACCO, WINE--Taipei, Jan 8 (CNA)--The government of the Republic of China will begin to allow imports of U.S. cigarettes, beer, and grape wine in August under the nation's tobacco and wine monopoly sales system. Wu Yush-ay, director of the Taiwan Tobacco and Wine Monopoly Bureau, said Wednesday. He said the government has agreed in principle to allow traders in this country to import directly the American products and to sell them at any retail stores. However, he said, the government must take measures to prevent dumping of the American tobacco and wine products in Taiwan. Anticipating strong competition from American exporters, the TTWMB has earmarked NT dollars 2 million (U.S. dollars 50,000) for advertising locally-made tobacco and wine products this year, he said. [Text] [Taipei CNA in English 1446 GMT 8 Jan 86] /12640

CSO: 4020/162

HONG KONG

FEARS OF TEXTILE 'TRADE-OFFS' IF JENKINS BILL VETOED

HK090833 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 9 Dec 85 p 1

[Text] Hong Kong has backed up developing countries' fears that a veto of the controversial Jenkins Bill in the U.S. would mean American trade officials attempting to negotiate trade-offs, according to the Trade Department.

A recent release said developing countries at General Agreement on Tariffs and Trade Textile Committee meeting in Geneva this month had pointed to the intensive discussion in GATT recently on liberalising trade.

But "the situation in textiles and clothing and, particularly the recent developments in the U.S. Congress are in stark contrast to these efforts," the release said, quoting the developing countries' statement.

The Jenkins Bill is now before President Ronald Reagan. He is expected to veto the legislation, which seeks cuts in textile exports to the U.S. from all major suppliers.

Textile analysts say a veto will put political pressure on U.S. trade representatives to negotiate a tougher Multi-Fibre Arrangement, which expires in July.

Director of Trade Hamish MacLeod told the Geneva meeting Hong Kong supported their concerns, "in particular about the danger that a price might be sought for not enacting the bill.

"Such a price," Mr MacLeod said, "could have just as damaging an effect as the enactment of the bill itself."

/6662
CSO: 4020/164

HONG KONG

BANKER COMMENT ON EFFECT OF POLITICAL CHANGES

OW281815 Beijing XINHUA in English 1437 GMT 28 Dec 85

[Text] Hong Kong, December 28 (XINHUA)--William Purves, deputy chairman of the Hong Kong and Shanghai Banking Corporation (HongKongBank) told a press conference hrer Friday afternoon that he does not see that any political changes in Hong Kong will change the outlook of banking in Hong Kong.

Michael Sandberg, chairman and chief executive of the bank, announced that he will retire next year, and William Purves will take over.

Purves said at the press conference that there will be no sudden changes of the bank's policy.

HongKongBank is the biggest commercial bank and one of the two currency-issuing banks here. It is also providing banking services to the government. With its subsidiaries and associates, HongKongBank now ranks as the 14th largest of the world's banking groups in terms of total shareholders' funds. At the end of 1984, its consolidated assets stood in excess of 61 billion U.S. dollar and its deposits exceeded 54 billion U.S. dollars.

William Purves expected that the Chinese Government and bankers in the Chinese mainland will make every good use of the world financial center in Hong Kong.

Describing the bank's relationship with the Bank of China, he said they "compete fiercely and cooperate extremely well." HongKongBank was allowed to expand its business in the mainland in recent years. Purves believed that its expansion opportunity will continue.

HongKongBank is also waiting for opportunity to do more business in Europe, Purves said.

He announced that HongKongBank is moving into security markets, and paying more attention to capital markets and merchant banking.

/6662
CSO: 4020/164

HONG KONG

UK BUSINESSMAN ON HONG KONG TRADE WITH PRC

OW061001 Beijing XINHUA in English 0828 GMT 6 Dec 85

[Text] Hong Kong, December 6 (XINHUA)--"China trade is difficult but very important and beneficial to Hong Kong," a Swire Group man said in an interview with the XINHUA here.

Christopher Pratt is China office manager for John Swire and Sons (H.K.) Ltd, one of the major traditional trading companies run by British business interests here.

The total turnover of the group on China business will reach 400 million Hong Kong dollars (about U.S.51.3 million) this year, Pratt disclosed. Though this is still a small share in the total turnover of the group, it keeps an upward trend with a 50 to 60 percent annual increase since 1982 and "is profitable without doubt."

The Swire Group has concentrated its business on industrial and service industries in China, like manufacturing, aviation and aircraft engineering. "We are doing genuine business," Pratt said.

To Hong Kong, the availability of a big reservoir of labor and land in Chinese mainland is proved to be essential in making the local exports more competitive, he said.

As far as he knows, almost every major manufacturer here has some sort of industrial contacts with the mainland. Facing the comparatively cheap labor and land supplies in South Korea and Taiwan, Hong Kong exports would lose their competitiveness if everything had to be done here.

The Swire Group has compensation trade agreements with four Chinese factories manufacturing cassette tapes in Guangzhou. The group is hoping to establish a joint venture with their partners there after several years of successful cooperation. A new project in Wuhan City, Hubei Province, is also under negotiation.

However, doing business in China is not easy, he said. As a coordinator of activities of the Swire Group in China, he feels it was difficult to cope with the changing economic steps in the past years.

However, "the swing of pendulum will likely be less dramatic in the future", he said.

/6662

CSO: 4020/164

END